

Chile: Investor Presentation



**Gobierno
de Chile**

Ministerio de Hacienda

**Ministry of Finance
November 2020**

Recent Economic Performance

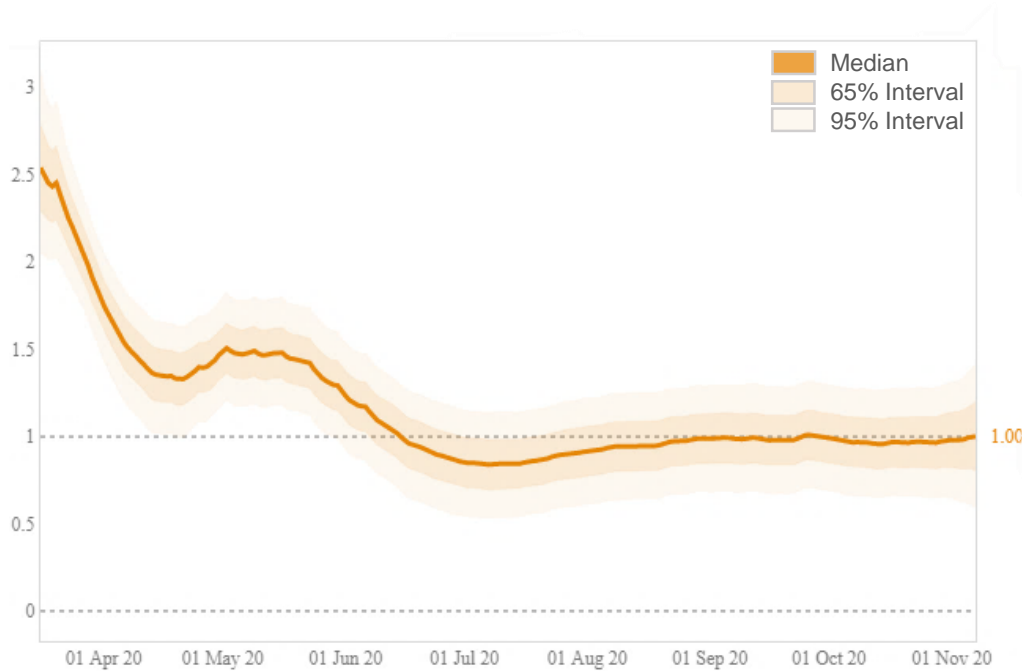


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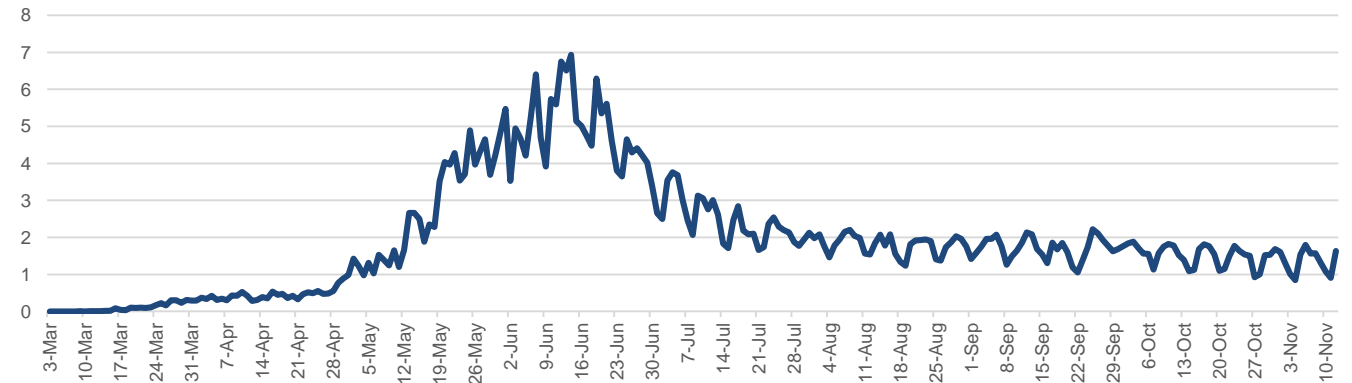
Despite increased mobility, new confirmed cases have remained within a constant range for some time

Estimated COVID-19 Effective Reproduction Number
March 17th – November 11th 2020.



Source: TrackingRt: <http://trackingr-env.eba-9muars8y.us-east-2.elasticbeanstalk.com/>

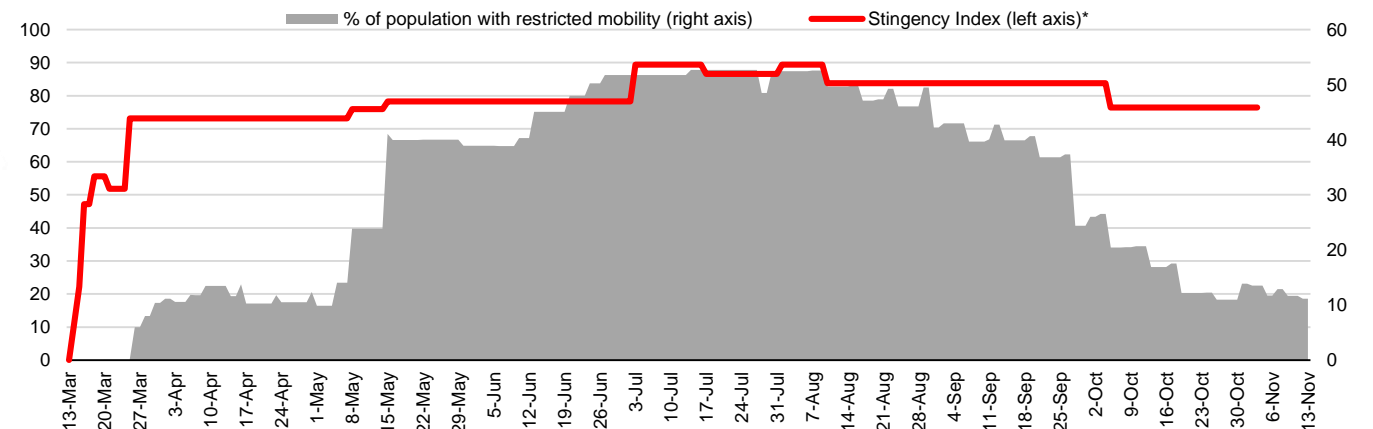
COVID-19 Cases in Chile: New Daily Confirmed Cases
People, thousands. March 3rd – November 12th 2020.



Source: Ministry of Health; <https://www.minsal.cl/nuevo-coronavirus-2019-ncov/casos-confirmados-en-chile-covid-19/>

Population with Mobility Restrictions

People, thousands. March 3rd – November 13th 2020.

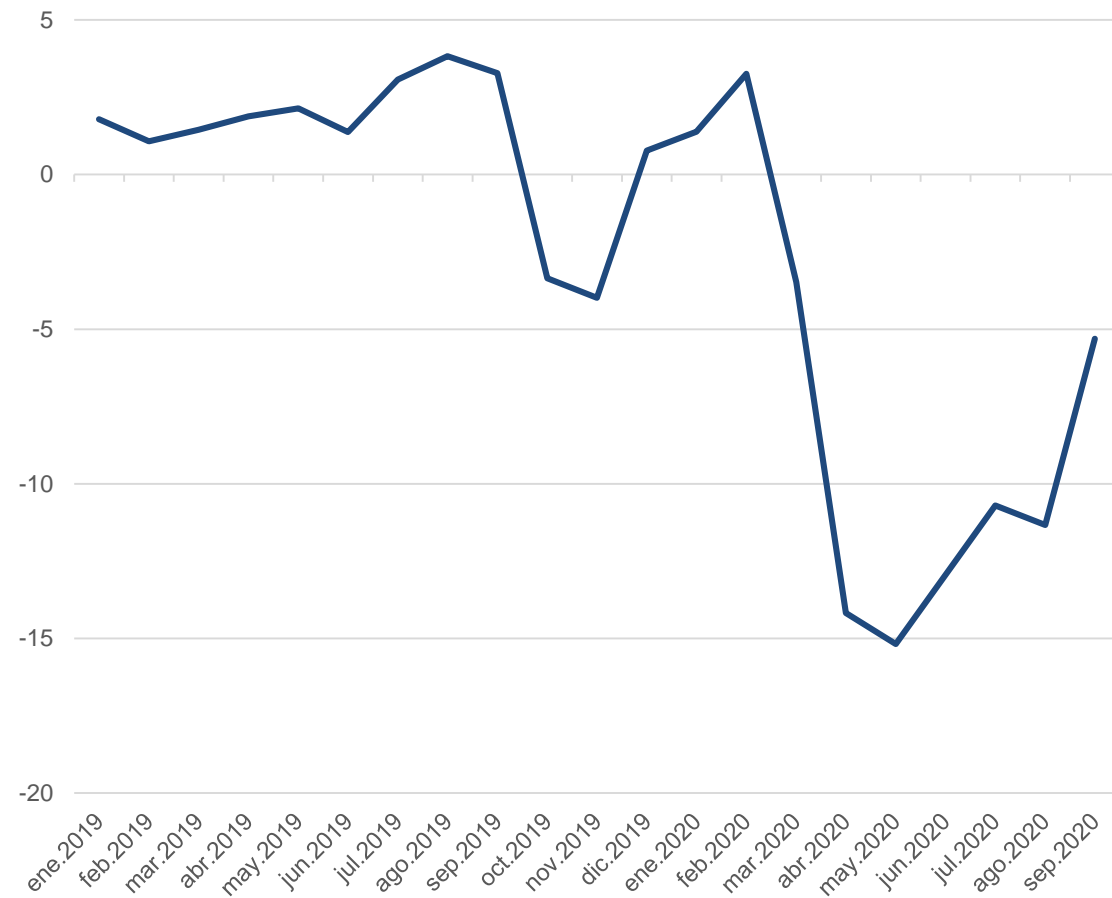


Source: Hale, Thomas, Noam Angrist, Emily Cameron-Blake, Laura Hallas, Beatriz Kira, Saptarshi Majumdar, Anna Petherick, Toby Phillips, Helen Tatlow, Samuel Webster (2020). Oxford COVID-19 Government Response Tracker, Blavatnik School of Government.; <https://www.bsg.ox.ac.uk/research/research-projects/coronavirus-government-response-tracker>; and Ministry of Finance.
* Data available up to November 3rd, 2020.

Social distancing measures triggered an important decline in economic activity, although the mining sector has been more resilient.

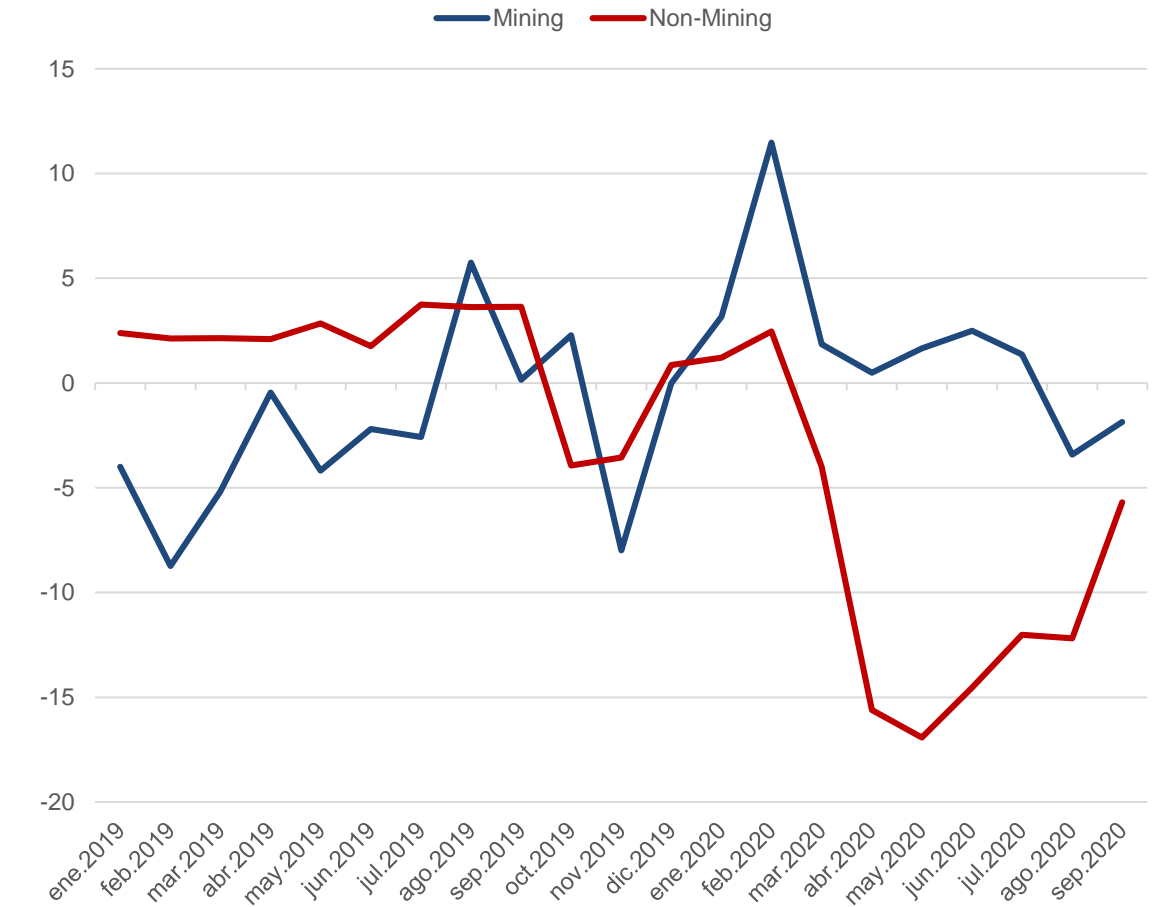
National Monthly Economic Activity Proxy (IMACEC)

Percent change, year-on-year



National Monthly Economic Activity Proxy for Mining and Non-Mining sectors (IMACEC minero y no minero)

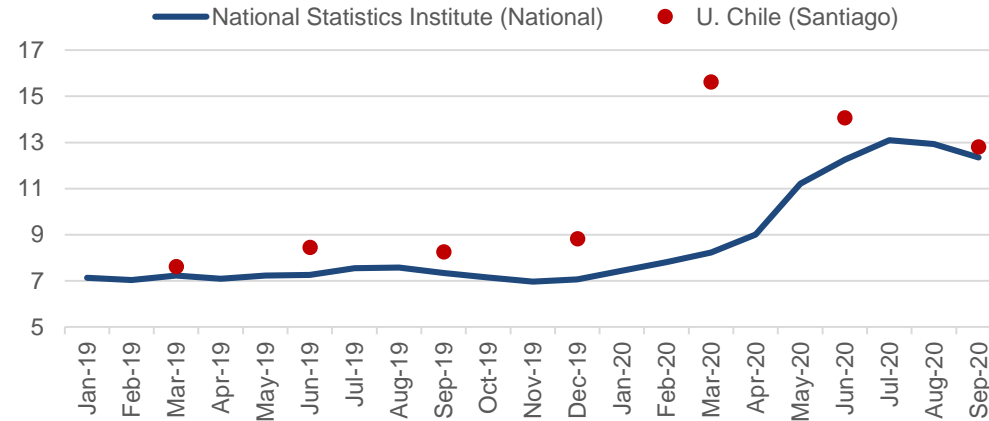
Percent change, year-on-year



Unemployment has risen, inflation remains close to the inflation target, while the contraction in exports has stabilized.

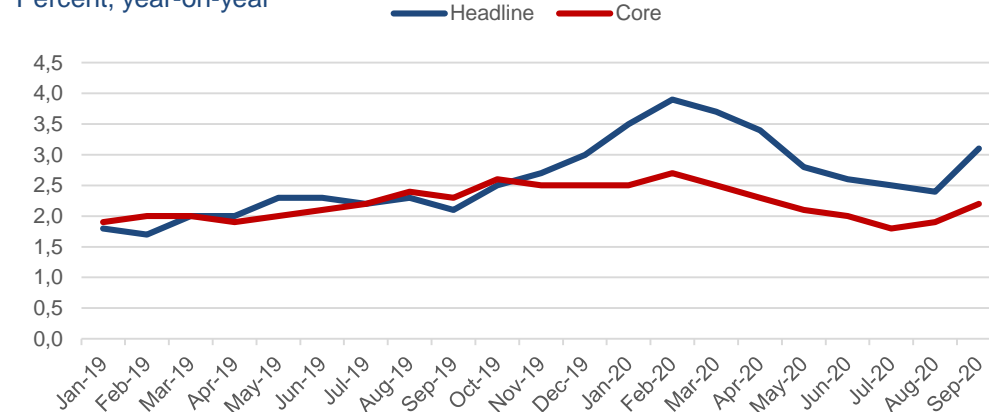
Unemployment Rate

Percent change, year-on-year



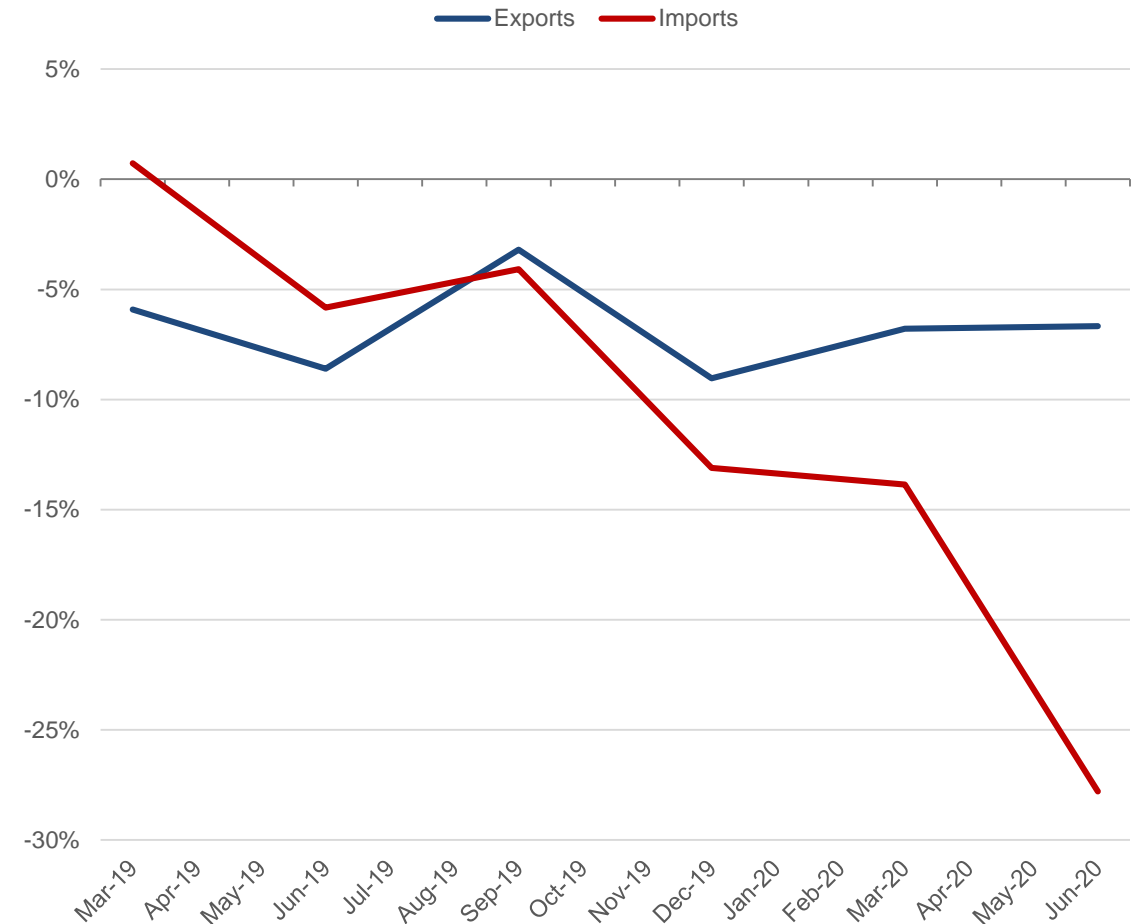
Inflation: Headline & Core

Percent, year-on-year



Exports and Imports of Goods and Services in Nominal Terms

Percent change, year-on-year 3mma



Source: Central Bank of Chile, the National Statistics Institute and University of Chile.

<https://www.ine.cl/estadisticas/sociales/mercado-laboral>

Fiscal policy measures to mitigate the COVID-19 impact on households and firms have mobilized ~USD25.8 billion (10.6% of GDP)

- Measures are transitory in nature, contributing to the fiscal consolidation process thereafter
- Administrative and legislative initiatives were implemented swiftly
- Several policies build on existing institutions and mechanisms that have proved effective in the past, such as the state-credit guarantee mechanism (FOGAPE), and the unemployment insurance system
- Data on the implementation of these measures is readily available on a timely basis: this has facilitated the evaluation and calibration of additional measures
- Tax-related measures totalling USD3.3 billion during April-June have supported households and firms by postponing and/or suspending tax payments
- 1.6 million households received a total of USD167 million in cash transfers between April and October
- Since mid-June and until October, ~3 million households have received a total of ~USD2.8 billion in emergency household incomes
- Between August 1st and October 31st, over 1.7 million cash transfers for the middle class totalling close to USD1 billion have been paid out; separately over two million requests for loans directly from the Treasury

The screenshot displays the website for the 'Plan Económico de Emergencia COVID-19: Avances y Cumplimiento'. At the top, there is a navigation menu with links for 'INICIO', 'ACERCA DE', 'PROTECCIÓN EMPLEO', 'LIQUIDEZ EMPRESAS', 'INGRESO FAMILIAS', and 'SOLIDARIDAD'. Below the navigation, the title 'Plan Económico de Emergencia COVID-19: Avances y Cumplimiento' is prominently displayed. A red banner highlights '49 Medidas Económicas y Sociales desde inicio COVID-19' by the 'Ministerio de Hacienda'. The main content is organized into three columns, each with an icon and a list of measures:

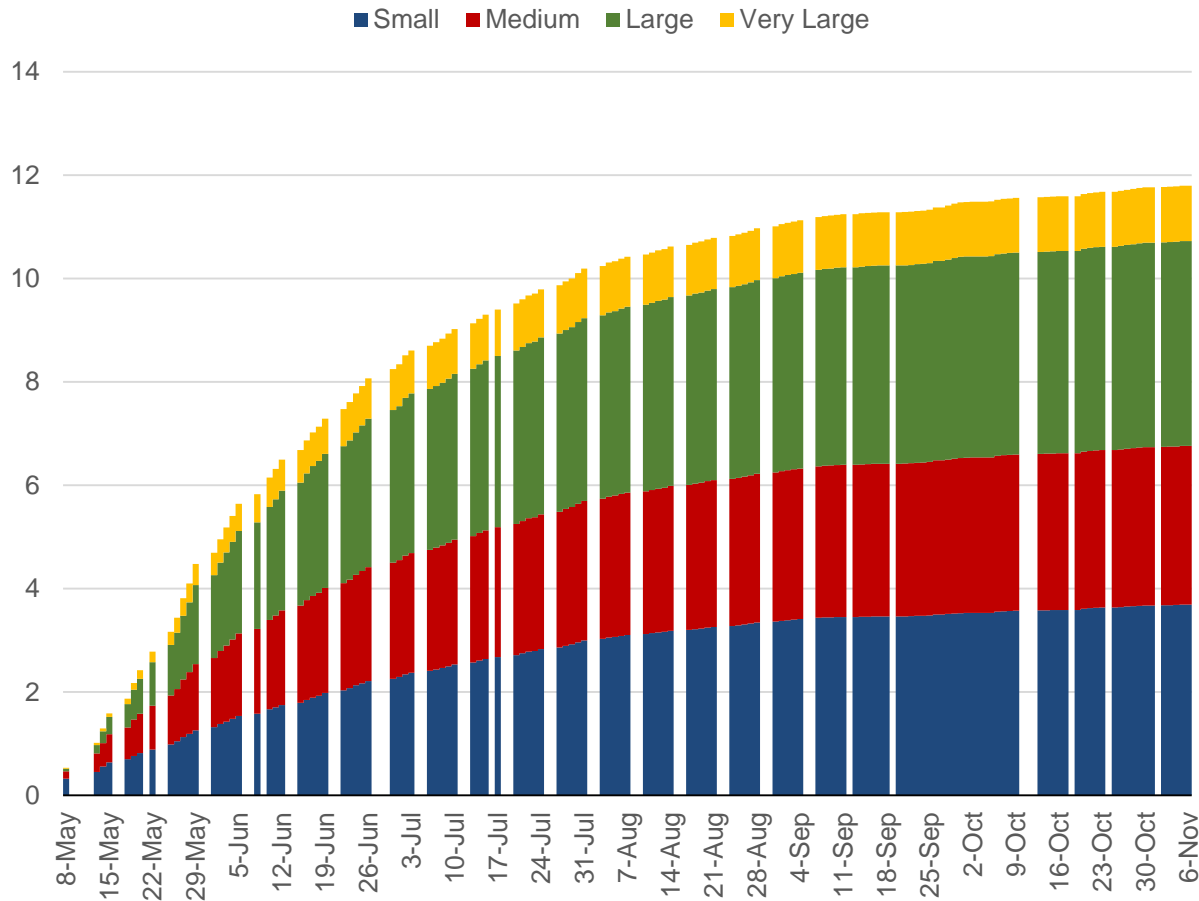
- PROTECCIÓN DE LOS EMPLEOS E INGRESOS LABORALES:** Beneficio a Trabajadores Independientes, Ley de Protección al Empleo.
- INYECCIÓN DE LIQUIDEZ PARA APOYAR A LAS EMPRESAS:** Ampliación de garantías estatales para créditos (FOGAPE), Compra Ágil, Medidas Tributarias - Liquidez.
- APOYO A LOS INGRESOS DE LAS FAMILIAS:** Bono de Emergencia COVID-19, Fondo Solidario a Municipios, Ingreso Familiar de Emergencia, Medidas Tributarias - Ingresos de Familias.

At the bottom, there is a section for 'BENEFICIOS CLASE MEDIA' with the measure 'Bono Clase Media'.

Policy measures such as commercial loans with state guarantees support continue to support the flow of credit in the economy

FOGAPE: Cumulative Placements through November 6th

USD Billion

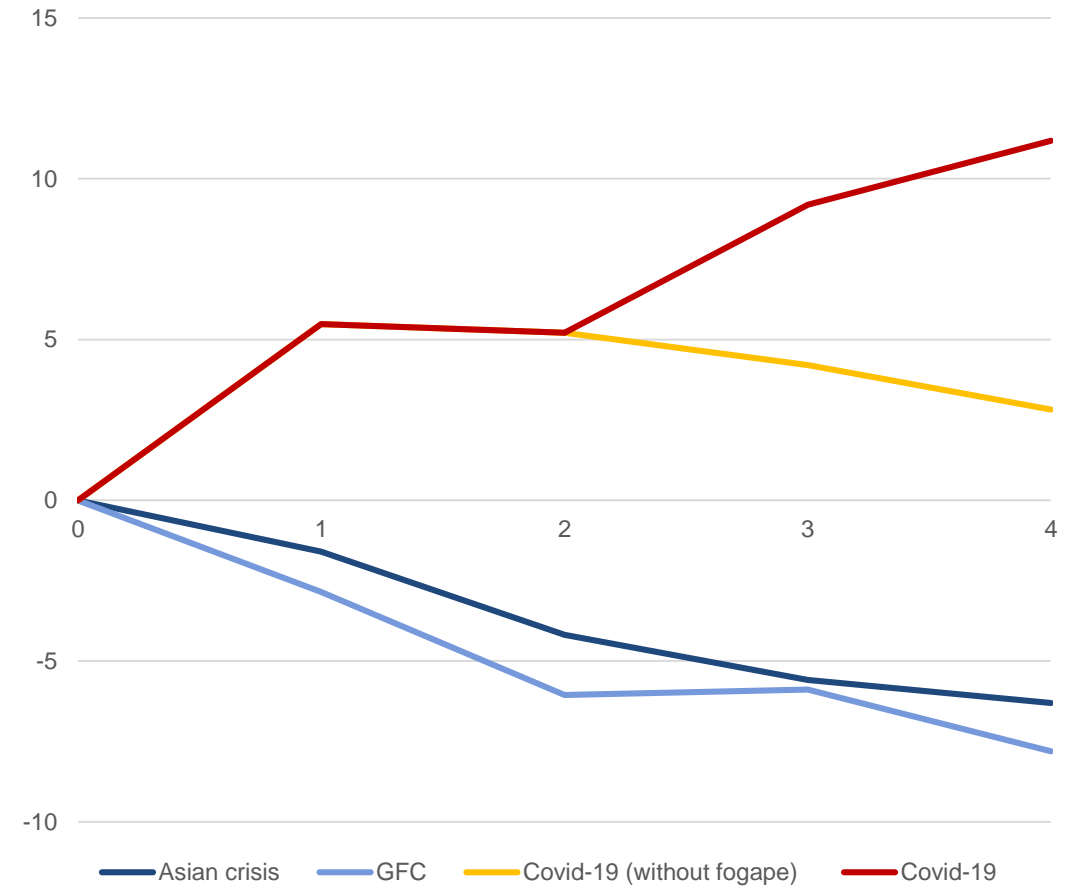


Small (0-25,000UF), Medium (25,000-100,000UF), Large (100,000-600,000UF), Very Large (600,000-1,000,000UF)

Source: Ministry of Finance based on data from the Financial Market Commission.

Commercial Loans during Recessions in Chile

Cumulative annual percent change with respect to month 0



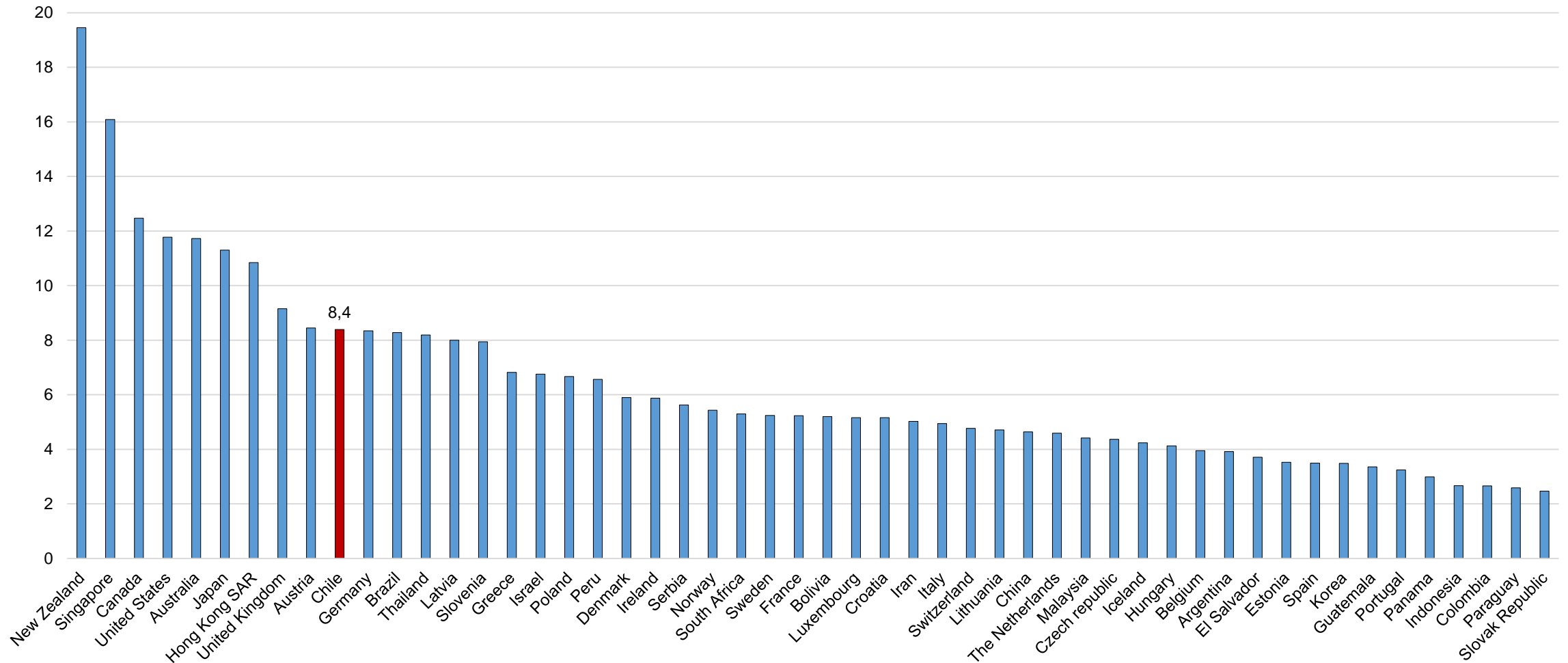
Source: Central Bank of Chile based on data from the Financial Market Commission*

* Month 0 is the first month with negative IMACEC interannual print.

Governments have responded decisively with sizable fiscal packages.

Above the Line Fiscal Expenditures to face the COVID-19 Shock Across Select Economies

Percent of GDP



The Central Bank of Chile and the Financial Market Commission have actively implemented extraordinary measures

- Policy rate cut to 0.5% (technical minimum)
- New Conditional Funding Facility (*FCIC*): banks have access to 4-year loans at the policy rate (0.5%), with loan size increasing as a function of additional credit to more stressed segments
- Bank bonds purchase program (USD8 billion)
- Special assets purchase program (USD8 billion)
- Term deposit purchase program (USD8 billion)
- Repo on instruments issued by banks (USD10 billion)
- Liquidity Credit Line also made available; corporate bonds allowed as eligible collateral in peso liquidity facilities
- Adjustments to the peso and USD REPO & FX swap arrangements
- USD sales program extended until 9/1/21
- Transitory adjustments to reserve requirements, relaxation of liquidity requirements for banks
- Recent legislative adjustments have provided the Central Bank of Chile the ability to purchase Chilean Treasury bonds in the secondary market, under exceptional and transitory circumstances
- The IMF approved the Central Bank's 2-year precautionary flexible credit line for US\$23.9 billion
- The Financial Market Commission has also implemented several measures to ensure the proper flow of credit, such as: enhanced monitoring and supervisory activities, modified rules that provide greater flexibility to financial entities to support credit, among others.

Short-term Outlook



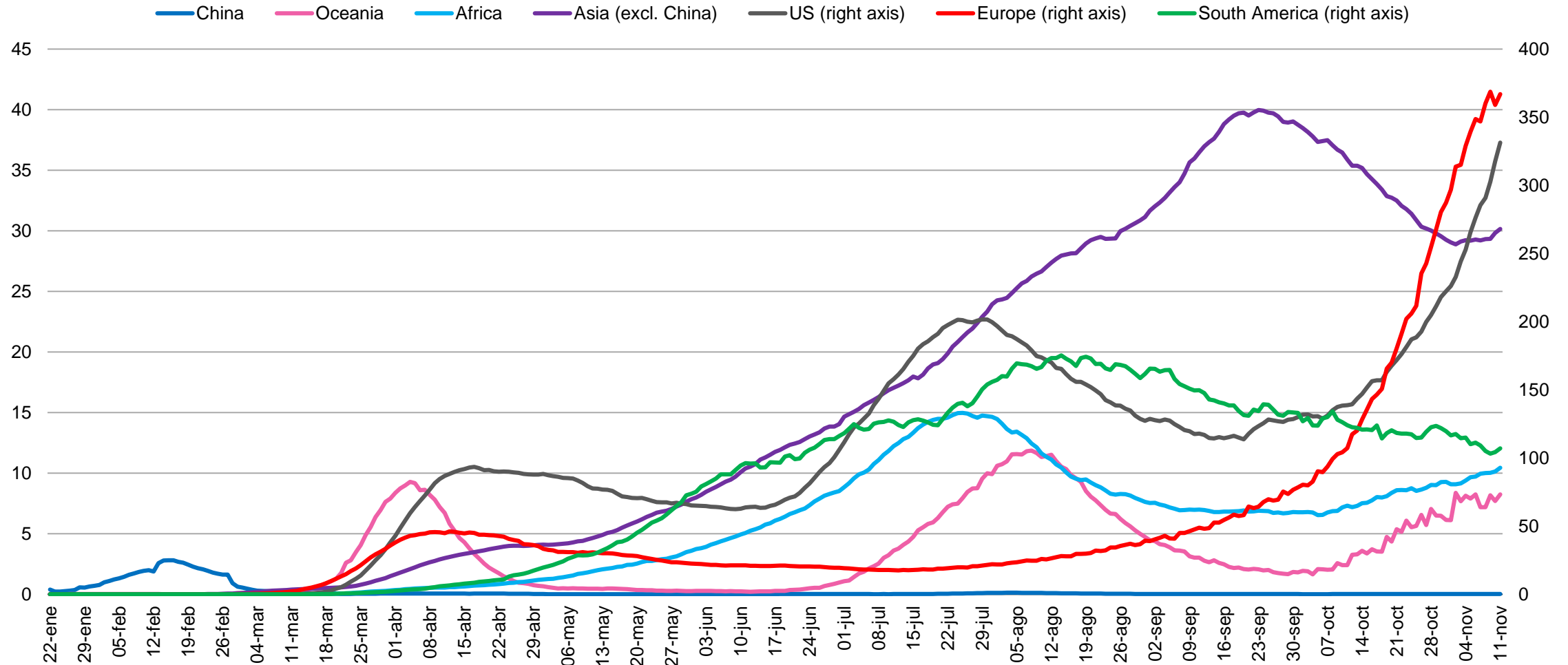
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The main source of global uncertainty is the evolution of the pandemic, including risks of second waves after gradual reopenings

New Confirmed Cases (per million)

15-day average

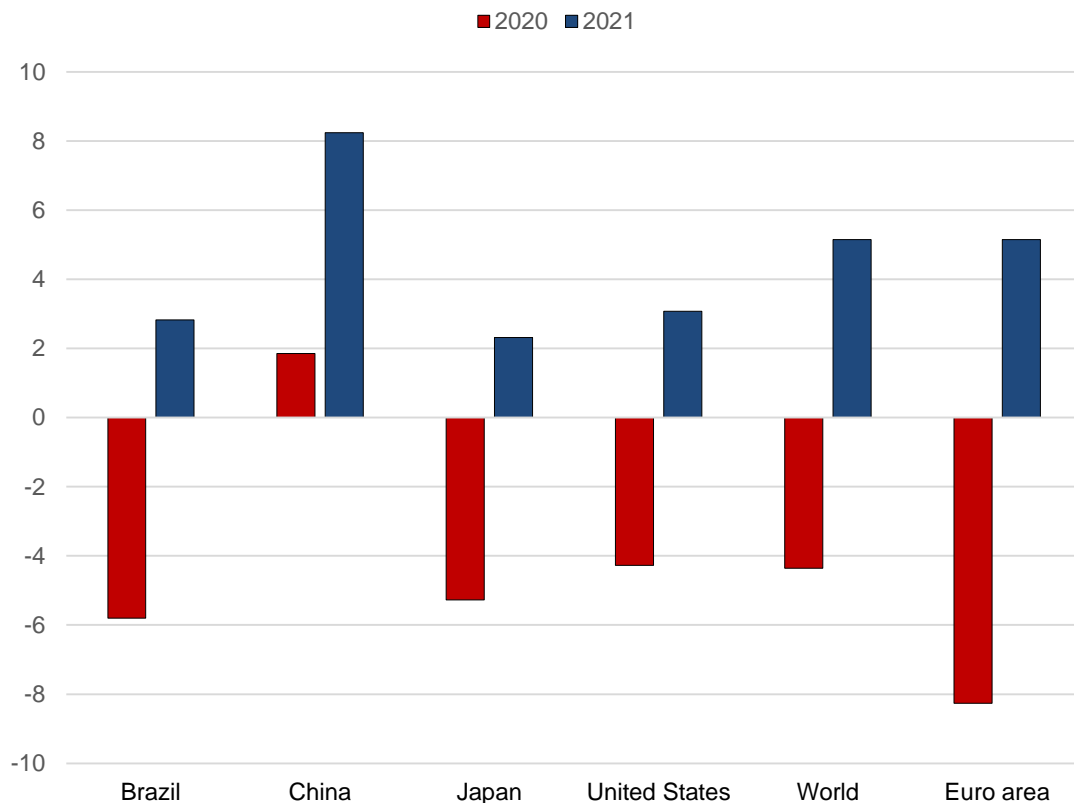


Source: CSSE at Johns Hopkins University.

The global economy is expected to contract sharply in 2020 and snapback in 2021, while Chile's Terms-of-Trade have improved throughout the year.

Real GDP Growth Forecasts

Percent year-on-year



Source: World Economic Outlook October, 2020, IMF.

Year to date change in Future Prices

Jan-20 = 100, through October 7th, 2020.



Source: Bloomberg.

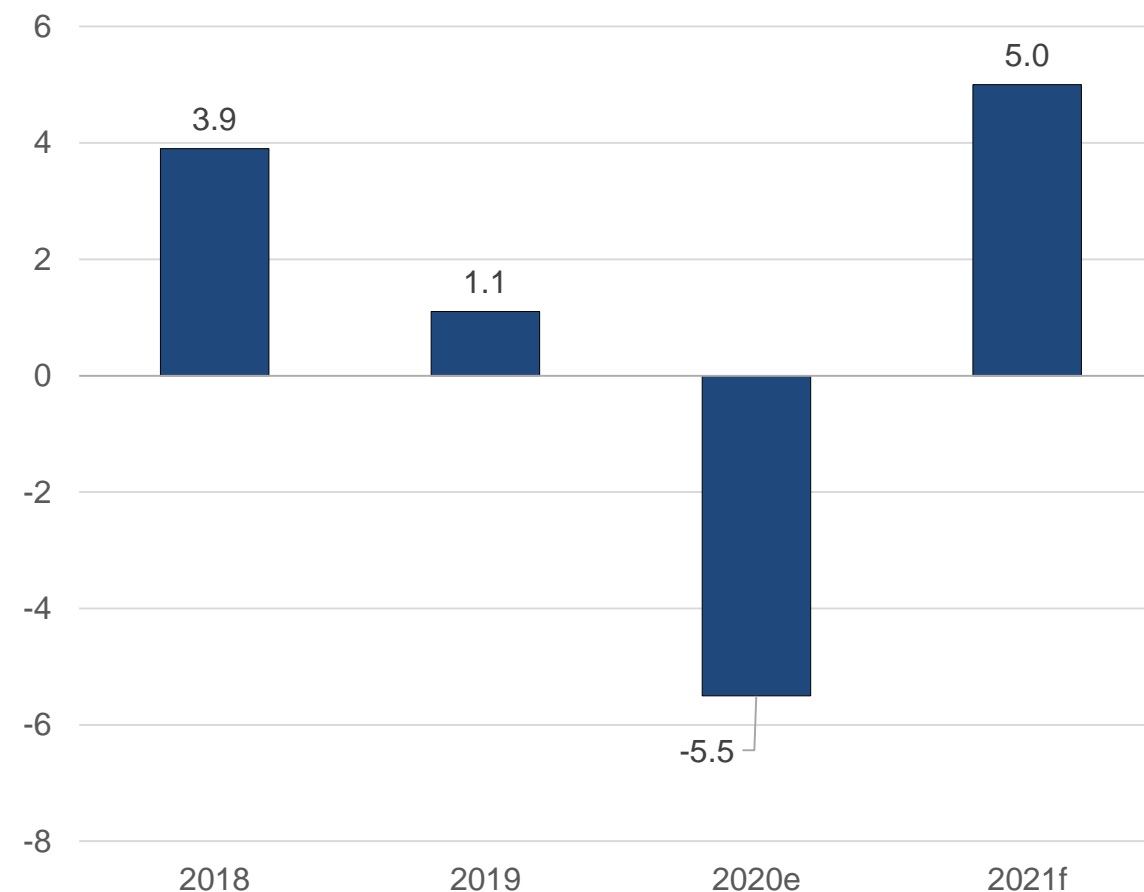
The Ministry of Finance estimates a significant economic recovery during 2021, in line with the estimates of the Central Bank

Macro Assumptions for 2020-2021

	2020	2021
GDP <i>(annual var., %)</i>	-5.5	5.0
Domestic demand <i>(annual var., %)</i>	-7.7	6.5
Inflation <i>(annual var., %)</i>	2.8	2.3
Exchange rate <i>(\$/US\$ average, nominal values)</i>	796	766
Copper price <i>(US\$/lb, average, BML)</i>	270	288

GDP growth

Percent, year-on-year

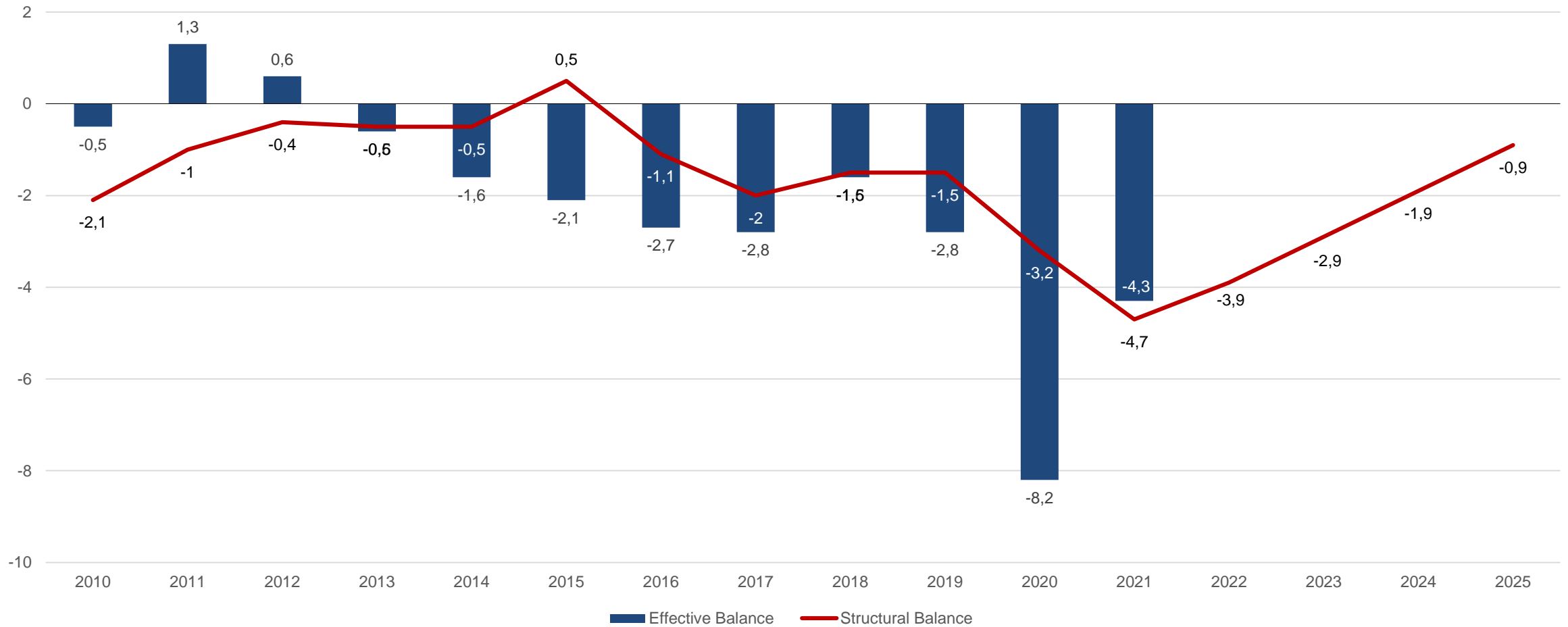


Source: Ministry of Finance. Public Finance Report 2020 Q3.

Fiscal policy will continue to support the economy through 2021.

Central Government's Structural and Effective Balance (2010-2025F)

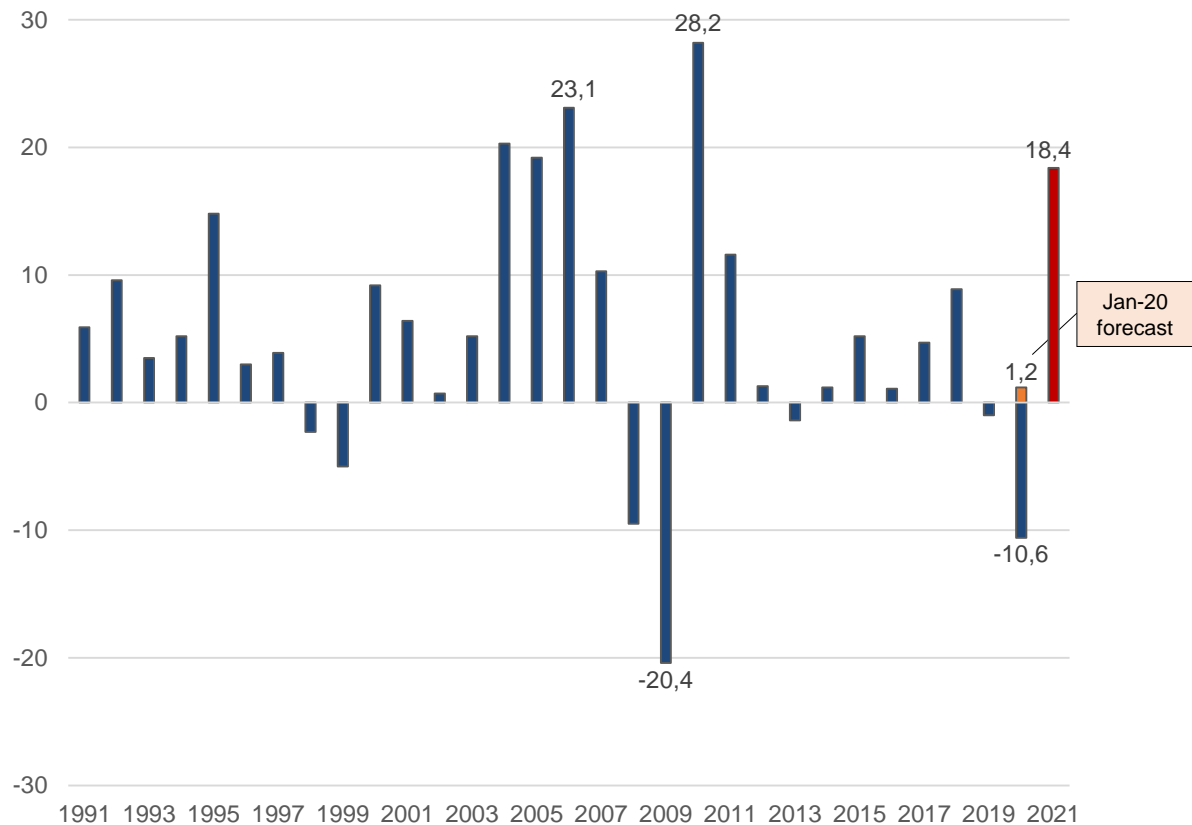
Percent of GDP



Revenues and expenditures reflect COVID-19's impact and policy response

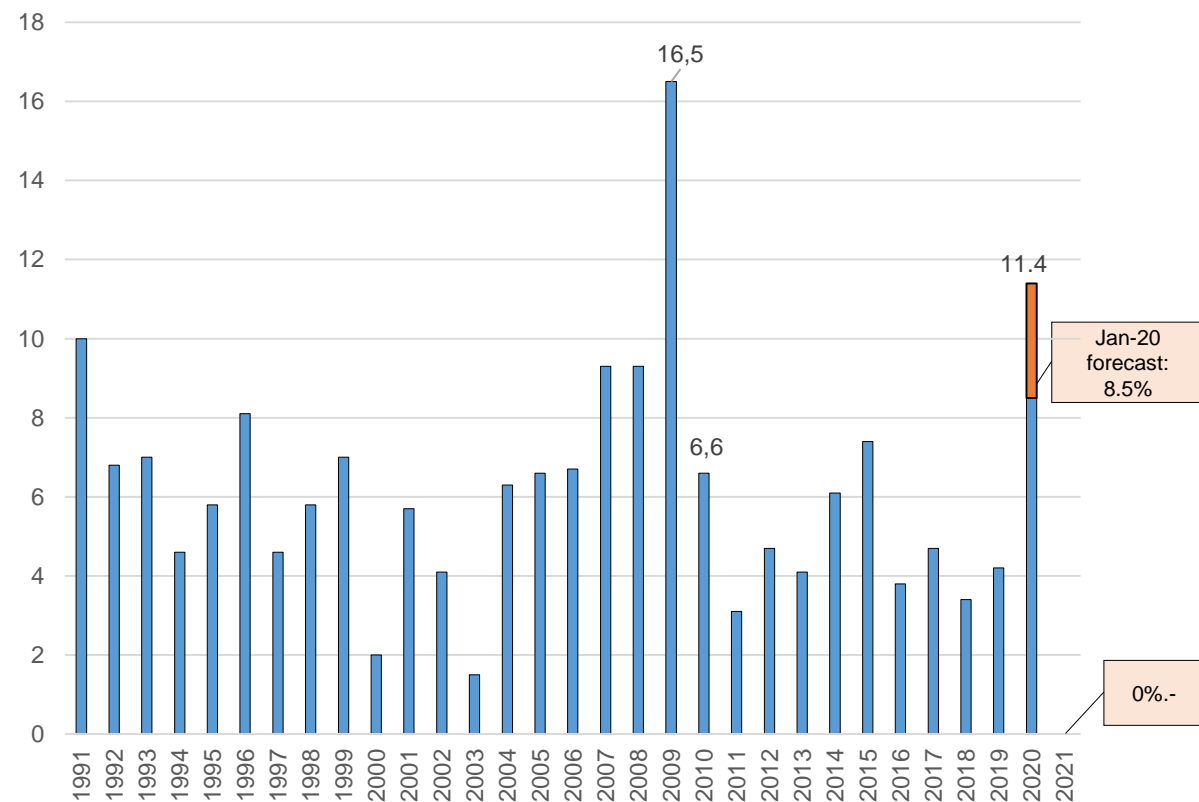
Central Government's Revenue (1991-2021F)

Percent change in real terms



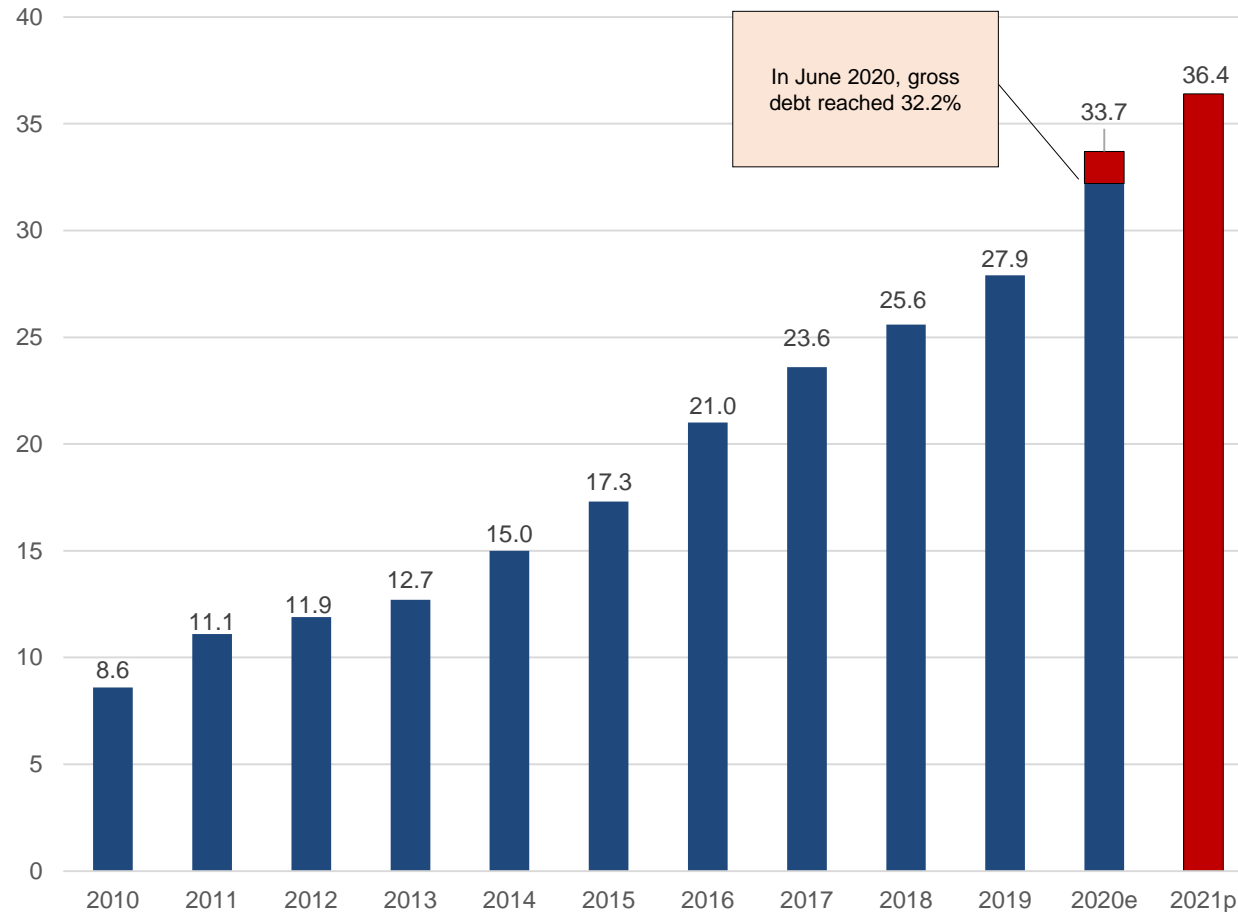
Central Government's Expenditures (1991-2021F)

Percent change in real terms

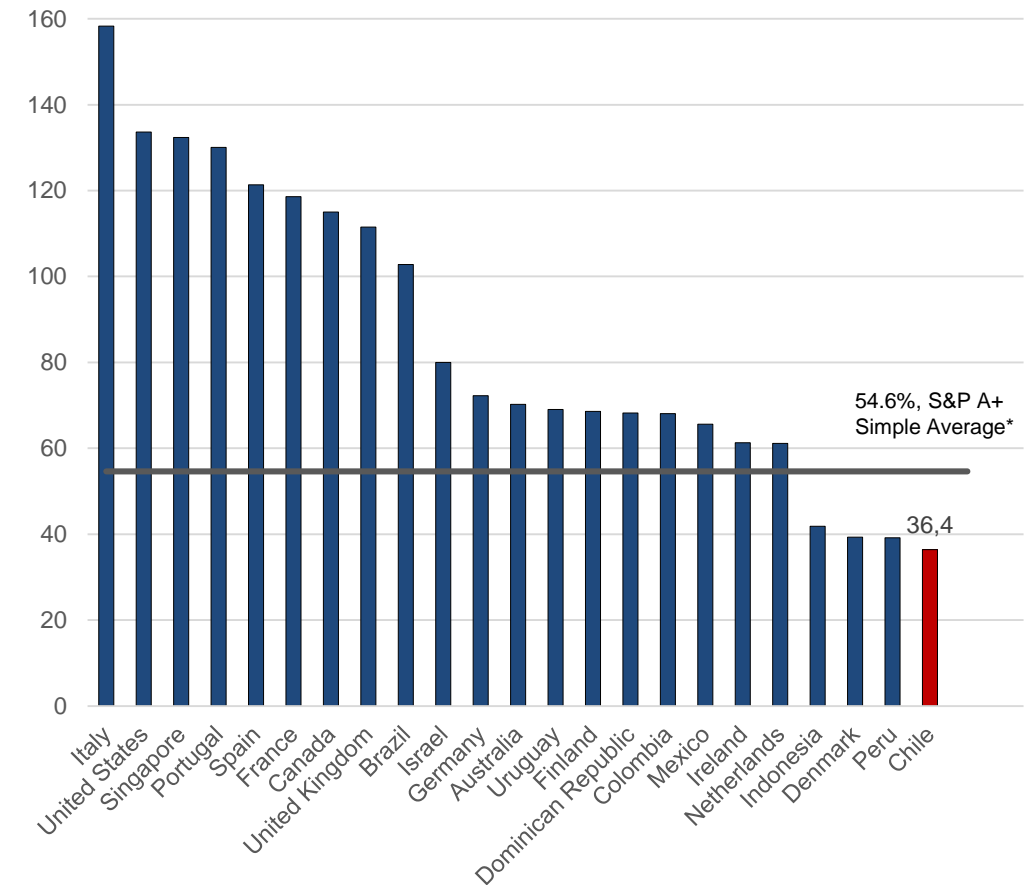


Debt has risen, but remains low relative to peers.

Central Government's Gross Debt
Percent of GDP



Gross Public Debt Forecast for Selected Economies
Percent of GDP, 2021



Source: Ministry of Finance.
<https://www.hacienda.cl/areas-de-trabajo/finanzas-internacionales/oficina-de-la-deuda-publica/estadisticas>

* Includes Chile, China, and Slovak Republic
Source: All forecasts are from the IMF's Fiscal Monitor April 2020, except from Chile which was taken from Public Finance Report 2020 Q3.

Debt is mostly denominated in local currency, and held by local institutional investors, while sustainable bonds provide access to new investors.

Strategy

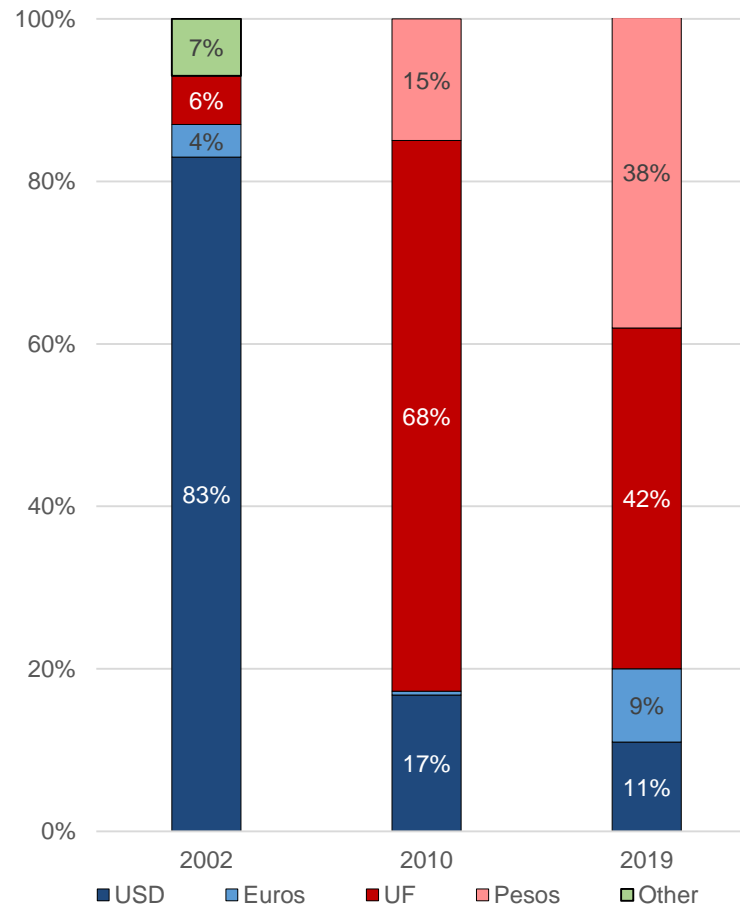
•**Domestic:** to develop and lengthen yield curves (nominal and real), while deepening liquidity by fostering greater participation of non-residents

- Recent issuances have strengthened new benchmarks and have created longer tenors, extending the debt maturity profile in line with international standards

•**External:** to establish benchmarks for Chilean companies in international capital markets

•**In addition:** to promote the development of a sustainable asset class (sustainable bonds) that attracts foreign investment in support of the country’s sustainable infrastructure needs, while diversifying the investor base

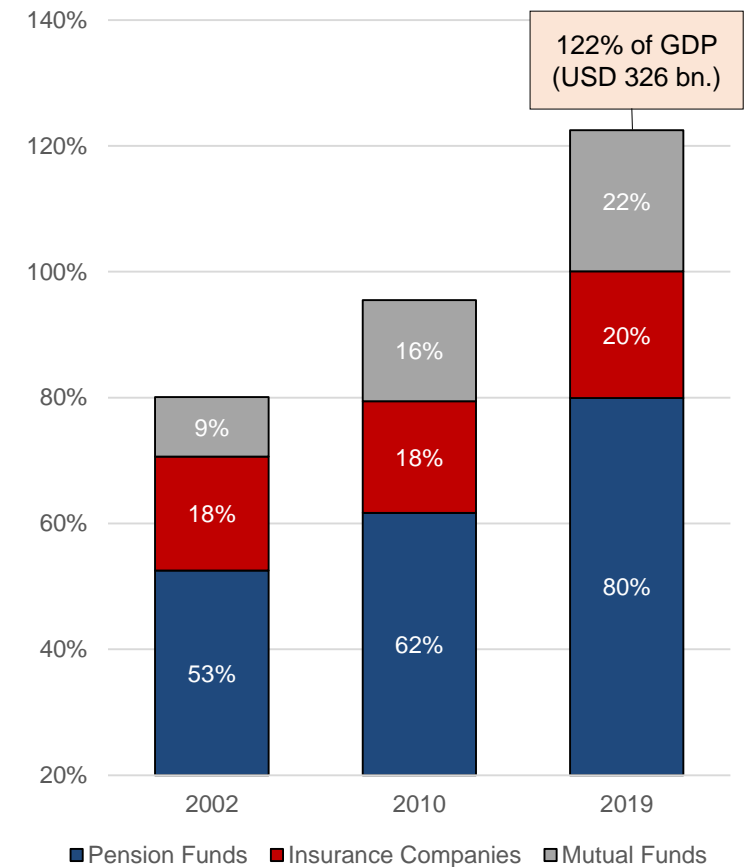
Debt Composition by Currency
Percent of total



Source: Ministry of Finance

<https://www.hacienda.cl/areas-de-trabajo/finanzas-internacionales/oficina-de-la-deuda-publica/estadisticas/composicion-de-la-deuda>

Total Assets Managed by Institutional Investors
Percent of GDP



Source: Financial Market Commission

Drafting process for a new constitution and political calendar

Constitutional Process Timeline*

October 25th, 2020 - National Plebiscite

Q1. Do you want a new Constitution?

Approve or **Reject**

Q2. What type of body should draft the new Constitution?

Mixed Constitutional Convention or **Constitutional Convention**

Approve

Constitutional Convention

April 11th, 2021 - Election of Conventional Constituents

Some norms and procedures of the Convention...

- A two-thirds majority of the Convention members is needed to approve the text of the new Constitution.
- The Convention may not intervene or exercise any other function or attribution of other organs or authorities.
- The Convention dissolves after the new Constitution's text is approved/rejected by its members, or its term expires.

April 2022 (≤ 3 months) – Convention delivers Text

July 2022 (≤ 3 months) – Plebiscite to Ratify Const.

Do you approve the text of the New Constitution proposed by the Convention?

Approve or **Reject**

Approve

President ratifies New Constitution.

Reject

Current Constitution remains

The “approve” option reached 78% of the votes, and the “reject” option met 22%. Also, the option of writing a new constitution through a constitutional convention (79%) was imposed over a mixed convention (21%). The option chosen is characterized by the fact that all of the members belonging to the body that will draft the new constitution shall be elected in April 2021.

- ✓ Voluntary participation
- ✓ Same date as municipal and regional elections

- ✓ Mandatory participation
- ✓ Simple majority
- ✓ The text of the New Constitution to be submitted to a plebiscite must be in accordance with the status of Chile as a Republic, its democratic regime, the judicial sentences, and the International treaties ratified by Chile.

Adjustments to the Political Calendar

		Primaries for Mayors & Regional Governors	Elections for Municipalities, Regional Governors and Members of the Constitutional Convention	Runoff for Regional Governors
2020	Nov	29		
	Dec			
2021	Jan			
	Feb			
	Mar			
	Apr		11	
	May			9

Chile's Sustainable Bond Framework



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Sustainable Bond Framework: Expanding Chile’s commitment to ESG

- Sustainable Bond Framework: Green Bond Framework expanded to include Social dimension
- Demonstrates Chile’s commitment to the United Nations Sustainable Development Goals
- Aligned with:
 - **ICMA’s Green Bond Principles 2018**
 - **Social Bond Principles 2020**
 - **Sustainability Bond Guidelines 2018**
- Second Party Opinion (“SPO”) provided by Vigeo Eiris

Reporting Policy

- Allocation report:** description of the projects included in portfolio, degree of progress, and proportion of refinancing vs. new financing
- Impact report:** Presents the social and/or environmental impact of the projects included in the portfolio, the quantitative performance indicators and the methodology and assumptions underlying the results presented
- Eligibility report:** attests compliance of projects with Sustainable Framework Use of Proceeds

Eligible Expenditure

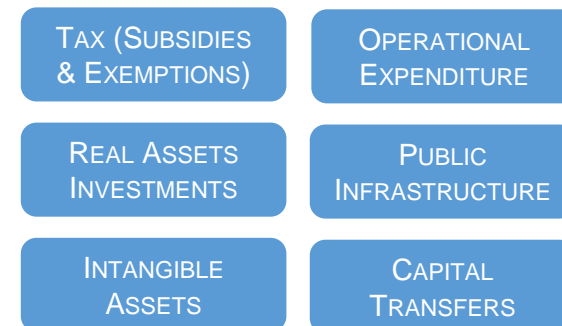
Target Social Demographics:

- ❖ Vulnerable groups
- ❖ Households in poverty
- ❖ Special needs individuals
- ❖ The elderly
- ❖ Human rights abuse victims

Categories:



Forms:



Social Bonds: Potential Sectors for the Issuance

New Bonds will potentially include projects such as:

- Support for the elderly or people with special needs in vulnerable situation
- Support for low-income families
- Support for human rights victims
- Support for the community through job creation
- Access to Affordable Housing
- Access to education
- Food Security
- Access to essential health services
- Social programs designed to prevent and/or alleviate unemployment derived from socio-economic crisis, including through the potential effect of financing SMEs and micro finances



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