
Ministry of Finance Reports Results of Recent Issuances in Foreign Currency

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As part of the Ministry of Finance's (MoF) additional 2021 debt issuance plan for US\$8 billion, last week the MoF issued euro and dollar-denominated Treasury bonds in international markets for a total of US\$5.81 billion. These issuances are in accordance with Law No. 21,288, which created the "Covid-19 Transitory Emergency Fund" and authorizes debt issuance up to the equivalent of US\$8 billion, in foreign or local currency, by the end of June 2022, independent of the authorization contemplated in the 2021 Budget Law.

With these issuances, as of July 27, 2021 Chile has issued a total of approximately US\$19.5 billion this year, of which approximately US\$13.6 billion are foreign currency denominated bonds.

Results of the Dollar denominated Transaction

The transaction consisted in the issuance of three Treasury bonds for a total amount of US\$3.75 billion, denominated and payable in US dollars, with maturities in 2033, 2041, and 2061. These operations obtained a demand of approximately US\$8.9 billion, 2.4 times the allocated amount. The main results of each of the bonds issued are:

- New social bond maturing in 2033 for US\$2.25 billion at a yield of 2.577% (coupon of 2.55%), 130 basis points above the 10-year U.S. Treasury bond.
- Reopening of the social bond maturing in 2041 for US\$1 billion at a yield of 3.139% (coupon of 3.1%), 130 basis points above the 20-year U.S. Treasury bond.
- Reopening of the social bond maturing in 2061 for US\$500 million at a yield of 3.329% (coupon of 3.1%), 140 basis points above the 30-year U.S. Treasury bond.

This operation is the third dollar-denominated operation in 2021, following the operations carried out in January and March 2021.

Results of the Euro denominated Transaction

The transaction included the issuance of two new euro-denominated Treasury bonds for a total of €1.75 billion, maturing in 2027 and 2036. These issuances reached a demand of approximately €4.5 billion, 2.6 times the allocated amount. Additional details of the euro bonds are described below:

- New social bond maturing in 2027 for €1 billion at a yield of 0.296% (coupon of 0.1%), 60 basis points above the 5.5 year mid-swap rate. This bond establishes a new five-year benchmark reference. This is the lowest coupon ever achieved by an issuer in Latin America.
- New social bond maturing in 2036 for €750 million at a yield of 1.31% (coupon of 1.3%), 110 basis points above the 15 year mid-swap rate.

This operation is the second euro-denominated issuance this year, after the operation in January 2021.

Social Bonds as part of Chile's financing strategy

These operations reaffirm Chile's leadership in sustainable finance, reflected by labelled 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. Considering these operations, Chile has issued a total of approximately US\$ 23.75 billion in labelled bonds since 2019, of which US\$14.55 billion are social, US\$7.7 billion are green, and US\$1.5 billion are sustainable. Labelled bonds represent 23.2% of the stock of central government debt, one of the highest shares in the world.

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 in November 2020. 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.

The issuance of the new social bonds is in line with 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 green bonds –which targeted investors with ESG mandates-, and the issuance of Formosa Bonds, listed in the Taipei Stock Exchange, in March 2021.

Looking Ahead

In sum, debt issuance for the second semester of 2021 reaches approximately US\$15,071 million, of which US\$7,081 million are from the initial plan, and US\$8 billion of the additional plan.

As described earlier, issuances last week for US\$5.81 billion in foreign currency denominated bonds are part of the US\$8 billion additional debt-financing plan. Operations in local currency instruments that are part of this plan are to be issued within a five-year maturity and will be duly informed prior to their execution.

Regarding the original 2021 debt issuance plan for US\$19 billion, as of July 27, 2021, the Ministry of Finance had issued a total of US\$13.6 billion in bonds during 2021, of which US\$7.8 billion were in foreign currency, and US\$5.9 billion in local currency. These amounts do not consider short-term notes issued during 2021 that mature in the same year. A total of US\$5.4 billion are planned for the rest of the year. A total of US\$4.4 billion are scheduled to take place in local currency during the third quarter of 2021, through the SOMA platform of the Central Bank of Chile, acting as Fiscal Agent, of which US\$1.7 billion have been already issued. The Q4 issuance calendar via SOMA will be announced towards the end of September 2021.

Finally, these plans are subject to modifications in the event of changes in market conditions or in the financing needs of the Government. If this were to occur, it will be appropriately informed.