

Case Study: Republic of Chile's 2020 Green Bonds

Ministry of Finance
Government of Chile

February 7, 2020

2020 Republic of Chile's Green Bonds - EUR tranche (0.695% €694 million on reopening of 11-year and 1.299% €1,269 million on a new long 20-year)



Only months after issuing sovereign green bonds for the first time, Chile achieves record yield in its longest tenor ever issued in EUR. Combined with the 2019 EUR issuances, Chile has issued €3,138 million in green bonds.

Transaction Summary

Issuer	: Republic of Chile "Chile"
Issuer Ratings	: A1 / A+ / A Moody's / S&P / Fitch, all stable
Ranking / Distribution	: Senior, Unsecured / SEC Registered
Listing / Law	: London Stock Exchange* / New York Law
Use of Proceeds	: Pay the purchase price for the old notes that are validly tendered and accepted in the offer to purchase (only for EUR tranche), and the balance for general governmental purposes

In addition, Chile has the intention of investing an amount equal to the proceeds from the sale of the notes into projects that may qualify as "eligible green expenditures", as described in its Green Bond Framework

Proceeds Intentions Language

Bond	EUR-2031	EUR-2040
Size	€694 million	€1,269 million
Pricing Date (T)	January 23, 2020	
Settlement Date	January 29, 2020 (T+6)	
Maturity Date	July 2, 2031	January 29, 2040
Coupon / Yield	0.830% / 0.695%	1.250% / 1.299%
Issue Price	101.477%	99.142%
Spread	T + 50 bps	T + 80 bps

*EUR-2031 Tap is also listed in Luxembourg Stock Exchange

Distribution and Book Building

EUR-2031

- The tap of the recently issued 31s reinforced liquidity in this instrument and took advantage of investors' preference for this tenor.
- IPT of "MS+65bps area" to launch at MS+50bps– tight end of guidance of MS+55bps (+/- 5bps)
- New Issue Premium: -3bps**

BY REGION	TOTAL
US	2%
Latam	2%
EU	95%
APAC/Other	1%

BY TYPE	TOTAL
FM	56%
PF / Ins	4%
Fin/PB/CB	28%
Others	12%

EUR-2040

- The new long 40s took advantage of a rally in the notes and a particularly flat credit curve. This is the longest tenor ever issued in Chile's history and marks a new benchmark for the sovereign's euro curve.
- IPT of "MS+95-100bps area" to launch at MS+80ps – tight end of guidance MS+80-85bps
- New Issue Premium: 0bps**

BY REGION	TOTAL
US	1%
Asia	11%
EU	87%
Other	1%

BY TYPE	TOTAL
FM	58%
PF / Ins	15%
Fin/PB/CB	12%
Others	15%

- The issuance included a Liability Management exercise, consisting of: an intraday switch tender offer of its existing EUR bonds due 2025-2030 for a maximum purchase amount to be determined by Chile for each series of notes in its sole discretion.

Notes	Tender spread	Total nominal accepted (EURm / % of out.)
2025 Notes	MS+20bp	98.5m / 7.9%
2026 Notes	MS+26bp	90.2m / 7.5%
2029 Notes	MS+33bp	120.9m / 14.6%
2030 Notes	MS+36bp	159.2m / 9.7%
Total		468.8m / 9.5%

2020 Republic of Chile's Green Bonds - USD tranche (3.275% USD900 million on reopening of long 30-year and 2.55% USD750 million on a new 12-year)



Immediately after the EUR transaction, Chile issued USD green bonds, also achieving record low yield in its 30-year reopening. Combined with the 2019 USD issuances, Chile has issued USD 3,068 million in green bonds.

Transaction Summary

Issuer	:	Republic of Chile "Chile"
Issuer Ratings	:	A1 / A+ / A Moody's / S&P / Fitch, all stable
Ranking / Distribution	:	Senior, Unsecured / SEC Registered
Listing / Law	:	London Stock Exchange* / New York Law
Use of Proceeds	:	General governmental purposes

In addition, Chile has the intention of investing an amount equal to the proceeds from the sale of the notes into projects that may qualify as "eligible green expenditures", as described in its Green Bond Framework

Proceeds Intentions
Language

Bond	:	USD-2032	USD-2050
Size	:	USD750 million	USD900 million
Pricing Date (T)	:	January 22, 2020	
Settlement Date	:	January 27, 2020 (T+3)	
Maturity Date	:	January 27, 2032	January 25, 2050
Coupon / Yield	:	2.550% / 2.571%	3.500% / 3.275%
Issue Price	:	99.784%	104.277%
Spread	:	T + 80 bps	T + 105 bps

*USD-2050 Tap is also listed in Luxembourg Stock Exchange

Distribution and Book Building

USD-2032

- The trade capitalized on a distinct risk-on mood, with stable UST (holding well below YoY averages) guided by a Fed expected to hold rates in the near/medium term.
- Chile was proactive in conducting investor update meetings during the end of 2019/early 2020 to inform accounts on the domestic situation. Despite the outbreak of the social protests in Chile, investors recognized the swift government policy response and Chile's strong institutional framework as key elements in limiting the protests' effects to the short-term, while also providing for a sustainable path forward.
- The deal marked Chile's first mid-tenor USD offering in 2 years. A tenor and size that set it up for potential opportunistic reopenings in future.
- IPT of "T+95bps area" to launch at T+80bps – tight end of guidance of T+85bps (+/- 5bps)
- New Issue Premium: 5bps**

BY REGION	TOTAL
US	54%
UK	18%
EU	15%
APAC/Other	13%

BY TYPE	TOTAL
FM	56%
PF / Ins	17%
Fin/PB/CB	16%
Others	11%

USD-2050

- The tap of the recently issued 50s took advantage of a rally in the notes and a particularly flat credit curve.
- IPT of "T+120bps area" to launch at T+105bps – tight end of guidance T+110bps area
- New Issue Premium: 5bps**

BY REGION	TOTAL
US	61%
UK	22%
EU	11%
APAC/Other	6%

BY TYPE	TOTAL
FM	68%
PF / Ins	13%
Fin/PB/CB	5%
Others	14%

Chile's Green Bonds - A critical tool to meet climate targets



Chile has been the **first sovereign in the Americas** to issue **Green Bonds**. Many international agencies have recognized Chile's leadership in this market, being recently awarded as the **2019 Issuer of the Year** by **LatinFinance**.

Innovation Highlights

- The development of the Green Bond Framework was led by the Ministry of Finance via a joint effort of several ministries with the valuable guidance of the IADB
- Chile currently has issued USD6.2bn worth of green bonds, and the selected portfolio include projects from the following categories: Clean Transportation / Renewable Energy / Water Management and Green Buildings
- In this particular issuance the portfolio included projects from Clean Transportation sector that were certified by Climate Bonds Initiative (CBI)

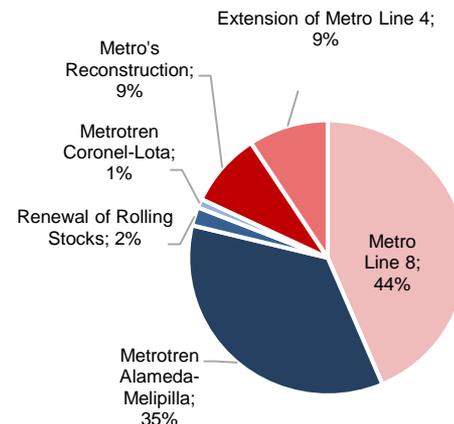
Green Bond Components

USE OF PROCEEDS	<ul style="list-style-type: none"> Clean Transportation, Energy Efficiency, Renewable Energy, Living Natural Resources, Land Use and Marine Protected Areas, Water Management, Green Buildings
SELECTION & EVALUATION	<ul style="list-style-type: none"> Selection of eligible green projects through a decision-making process by the Ministry of Finance Green Bond Committee, led by the Ministry of Finance with the support of the main ministries in charge of the execution of the public budget, to review and validate the selection of eligible green projects
MANAGEMENT OF PROCEEDS	<ul style="list-style-type: none"> Net proceeds to be transferred to the general account of Chile and each specific green bond issuance to be linked to a specific pool of eligible projects Total value of eligible projects to be higher than the amount of issuance, to avoid the necessity to include new projects in event of projects no longer eligible, and includes previous year and current year expenditures and, if necessary, future expenditures Until full allocation, unallocated proceeds managed in line with the liquidity management policy
REPORTING	<ul style="list-style-type: none"> Annual reporting on: <ul style="list-style-type: none"> Proceeds allocation (per category) Output (e.g. km of train lines; installed capacity in MW) and impact indicators (e.g. CO2 avoided, energy saved)
EXTERNAL REVIEW	<ul style="list-style-type: none"> Second Party Opinion from Vigeo Eiris on the Framework CBI certification Annual Assurance Report by an external auditor on the allocation report and its conformity with the Framework

2020 Project Portfolio

- The 2020 Green Bond project portfolio totals USD 4.4 billion from the sector **Clean Transportation**, which includes the following projects:

- Line 8 of Santiago's Metro
- Extension of Metro Line 4
- Metro's Reconstruction
- Biotren Extension Coronel-Lota
- Metro Alameda-Melipilla
- Renewal of Rolling Stocks



Green Credentials

- Framework was verified by Vigeo Eiris in 2019.
- Projects associated with the Bonds (USD & EUR) received the Certification of CBI.



Key Contacts at Issuer and Arrangers



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Case Study prepared by:



Green certification:



Bookrunner banks from
USD tranche:



J.P.Morgan



Bookrunner banks from
EUR tranche:

