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CAREY ADVISES ON USD600 MILLION PERPETUAL NOTES'S OFFERING

Chile's BancoEstado makes inaugural AT1 notes issuance

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Cleary Gottlieb Steen & Hamilton LLP in New York and Claro & Cia in Santiago have helped state-owned Chilean bank BancoEstado to raise US$600 million in its first-ever issuance of additional tier 1 (AT1) notes.

The initial purchasers relied on two Davis Polk & Wardwell LLP offices and Carey in Santiago in the deal, which closed on 2 May.

The notes carry a 7.95% interest rate.

This transaction marks BancoEstado's first issuance of AT1 bonds in international capital markets.

AT1 notes are perpetual bonds with no maturity date that can be converted into equity when a certain 'trigger event' occurs. Such trigger event includes when the issuing bank's capital strength falls below a certain threshold.

BancoEstado will use the funds to comply with the newly implemented Basel III capital adequacy requirements in Chile which were introduced there in 2020.

These regulations aim to enhance the stability of the banking industry by increasing capital standards. Among the key provisions, the bank must maintain their total capital at or above 8% of risk-weighted assets (RWA) and ensure that tier 1 capital is at least 6% of RWA.

Latin American banks regularly turn to capital markets to raise funds. In April, Peru's development bank COFIDE issued US$300 million worth of thematic bonds. This came two weeks after Mexico's Grupo Financiero Banorte made an offering of US$761 million of green and

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social debt.

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