

CAREY ADVISES ON USD600 MILLION PERPETUAL NOTES'S OFFERING

Chile's BancoEstado makes inaugural AT1 notes issuance

Maya Kendall Shah

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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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Carey y Cía. Ltda.
Isidora Goyenechea 2800, 43rd Floor.
Las Condes, Santiago, Chile.
www.carey.cl

social debt.

Counsel to BancoEstado

Cleary Gottlieb Steen & Hamilton LLP

Partners Jorge Juantorena and Matthew Brigham, and associates Ignacio Lagos, Martin Sasson, Juan Ignacio Leguízamo, Michael Sims and Julia Huang in New York

Claro & Cía

Partners José Luis Ambrosy, Rodrigo Ochagavía, Juan León and Nicolás Maturana, and associate Matías López in Santiago

Counsel to BNP Paribas Securities, HSBC Securities, JP Morgan Securities, BofA Securities, Citigroup Global Markets, Crédit Agricole Securities and Goldman Sachs

Davis Polk & Wardwell LLP

Partner Maurice Blanco and counsel Konstantinos Papadopoulos in São Paulo; and associate Jose Miguel Fernandez in New York

Carey

Partners Diego Peralta and Fernando Noriega, and associate Jose Enberg in Santiago