INVESTOR RELATIONS:
THE CHILEAN EXPERIENCE

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Ministry of Finance
Road Map

1. Why are investor relations important?
2. Evaluation of Chilean investor relations
3. Public-private cooperation
4. IRO organization
WHY ARE INVESTOR RELATIONS IMPORTANT?
Sound economic and fiscal policies are important...

- To minimize the impact and intensity of financial or economic crisis, countries must put in place sound macroeconomic policies and address structural and balance sheet vulnerabilities.

- But, it is also essential to promote transparency, especially in times of extreme volatility and uncertainty.

- This gives incentives for investors to make sound investment and lending decisions during both low and high volatility market cycles.
... it is important to transmit and disseminate relevant information to investors

- Sometimes investor behavior and sentiment are driven more by rumor and fear than by a careful assessment of underlying fundamentals.

- Without relevant information investors might overreact.

- Investors need to have sufficient information to make a fully informed assessment in order to avoid surprise and misunderstanding.

- It's a good signal to be transparent to avoid market overshooting when country’s fiscal or economic situation faces difficulties.

- Our role: To transmit and disseminate relevant information effectively and frequently.
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EVOLUTION OF CHILEAN INVESTORS RELATIONS
Since 2000, the Chilean government has been working to enhance transparency of fiscal accounts and statistics:

- Set of publications and studies regarding the budget law, public finance, public finance management, and public management modernization programs are published by the Budget Office (Ministry of Finance) [link currently available on IRO website]

In 2002, Ministry of Finance defined a new framework for distribution of these documents, based on the ROSC on fiscal transparency released by the IMF:

- New and more reliable information is utilized since its implementation (2003) improving the frequency, quantity and quality of the distributed material
Fiscal Statistics and Transparency

- Beginning in 2004, the Government started to apply an accrual-based accounting system, as opposed to the cash-based accounting system that was used in some fiscal accounts.

- In 2006, Fiscal Responsibility Law was enacted, which incorporates the recommendations on fiscal responsibility and transparency made by international institutions such as the IMF, IDB and OECD.
With the international bond issuance initiated in 1999, the Ministry of Finance maintained relations with foreign investors through periodic conference calls and road shows.

In 2002, “Chile News” and “Biweekly Report” were issued for the first time by the Ministry of Finance. These reports were distributed by e-mail directly to investors, analysts, press, etc.

The same year, the Ministry of Finance created a new section called “Investor Relations Office“ in its web site. This site provides links to general information and a web-based form to contact the Ministry of Finance.

In 2008, Ministry of Finance redesigned its website, as well as introduced other changes, after assessment of IRO.
1. The Chilean government maintains a direct relationship with investors through its Investor Relations Office Website (since 2002).
2. This site is an initiative of the Ministry of Finance.
3. It allows users to find the English version of:
   › macroeconomic and financial data,
   › links to historical information,
   › information about the legal framework,
   › presentations,
   › other Chilean government institutions websites,
   › and other relevant information.
4. This site follows the best international practices with regards to investor relations.
Investor Relations Office

Objectives

1. To answer questions and provide information to foreign investors on government finances and capital market reforms.
2. To provide maximum transparency and complete information about the administration of government debt, to develop, maintain and improve contact with both foreign and domestic market participants.
3. To increase the investor base and maintain permanent contact with potential investors.
4. To maintain and improve relations with investors and opinion leaders.
5. To improve access to information so that investors are better able to evaluate risk.
6. To assist credit rating agencies.
INTRODUCTION

In a world of constant change, Chile is a beacon of economic and institutional stability. In international comparisons of competitiveness and economic freedom, Chile is at the forefront of Latin America, and despite its emerging status, ranks alongside the most developed economies in the world. It has one of the world’s most business-friendly environments and has attracted a number of well-known multinational and foreign investors with its open and competitive economy.

NEWS

Chilean Finance Minister Felipe Larrain Announces 1.5 billion Global Bond Offering

Minister of Finance travels to London to promote the advantages of Chile as a financial platform

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October 25, 2010
Why Chile? General Description

In a world of constant change, Chile is a beacon of economic and institutional stability. In international comparisons of competitiveness and economic freedom, Chile is at the forefront of Latin America, and despite its emerging status, ranks alongside the most developed economies in the world. It has one of the world’s most business-friendly environments and has attracted a number of well-known multinational and foreign investors with its open and competitive economy.

The reason for this superior performance is due to the success of its reforms and the strength of its institutions, which have allowed Chile to build a robust macroeconomic framework. Standard and Poor’s (one) year ago upgraded Chile’s credit rating to A+ from A, lauding the strength of its economy and saying its economy was “more resilient than ever”. Moreover in March 2009, Moody’s upgraded Chile’s credit rating to A1 from A2 with positive outlook.

Chile, one of the most open economies in the world, has signed more free trade agreements (FTAs) than any other nation. It had FTAs with more than 90% of its trade partners in 2008, including Australia, China, India, Japan, Mexico, the US, the EU and South Korea.

It has developed its trade integration with the world through:

- Unilateral tariff reductions (currently a flat rate of 6% and an effective rate of about 1%);
- Free trade agreements (FTAs); and
- Multi-lateral agreements.

In addition to Chile’s success in international free trade and macroeconomic management, it has also made remarkable progress its reducing poverty: since 1990 it has slashed its poverty rate to 13% from over 40 percent in the early 90s. This dramatic improvement is the result...
Why Chile? | Economic Information

SELECTED ECONOMIC INFORMATION

MACROECONOMIC INDICATORS
- GDP Growth Since 1988
- Contributions to GDP growth by sector
- Unemployment
- Terms of trade and copper
- Export volumes: mining and industry
- Exports by Economic Sector (Nominal)
- Imports by Economic Sector (Nominal)

MONETARY AND FINANCIAL INDICATORS
- Inflation
- Central Bank Monetary Policy Rate
- Nominal Long-Term Interest Rates
- Real Long-Term Interest Rates
- Nominal Exchange Rate

FISCAL STATISTICS
- Fiscal Balance
- Projections for 2010
- Net International Reserves and Sovereign Wealth Funds

CHILE’S FINANCIAL SECTOR
- Solvency indicator of banking system
- Savings non financial system
- Market Capitalization
Why Chile?  | Economic Information

Macroeconomic Indicators

GDP Growth Since 1988

REAL GDP GROWTH [%]

Source: Central Bank and Ministry of Finance

Contributions to GDP growth by sector
Incentives for Foreign Investment | Investment Incentives

The Chile Competes Plan

The pro-growth plan called Chile Competes, is based on four capital market areas:

- Reactivation of the proposed capital market reform law (MK2). The Finance Minister reduced the articles by half in order to achieve rapid passage of the law in the Senate. The ministry hopes to facilitate financing of small and medium-sized business, through four areas: regulation of banking licenses and the insurance industry, improvement in the oversight of the superintendencies, and the formation of seed capital.
- To internationalize the peso by creating regulations that allow foreign entities to issue bonds in Chilean pesos in order to develop an international market for peso-denominated financial instruments.
- Financial integration: initiatives to develop the derivatives market.
- A capital markets committee, that will carry out the design of policies to develop financial markets and consult with the private sector on these matters.

The Chile Invests Plan

On March 14, 2007, the government presented a package of measures to accelerate national economic growth. The plan was based on several items, including:

- Tax benefits. In order to promote foreign investment in Chile the Finance Ministry will send a proposed law that will provide a tax framework for derivatives. The Chile Competes Plan will also include new measures to internationalize the peso: it will connect the local peso market with global liquiaton and custody systems, so that foreign institutions will enter Chile. These institutions will not have to pay taxes or be domiciled in Chile to effect these operations. Lastly, after consulting with the private sector, the government announced that it will send the MK3 law to Congress in the second half of 2007, which will include the approval of a 4% income tax that foreign institutions pay on credits offered, a new law on financial collateral to extend guarantees in the securities market, and expanded exemption from tax on capital gains.

Taxes that affect foreigners

- Additional Tax: the additional tax applies to individuals or corporations that are not domiciled in Chile, at a rate of 35%. The taxable amount is based on the earnings that are transferred abroad from a source in Chile.
- This tax is accrued annually. The payers of this tax have the right to deduct the payments of First Category Tax paid for earnings transferred abroad.

Foreign Institutional Investors
Documents

Chile Day, New York
Author: Minister of Finance, Felipe Larraín.

Road Show Presentation, New York
Global Bond Offer July 28, 2010
Author: Felipe Larraín, Minister of Finance

Chile, a reliable place to invest
Foreign investors guide to financial markets.
Author: Ministry of Finance

If you want to see the files we have published in the website, please visit the “Download section”.

October 25, 2010
Sites of Interest

Central Bank of Chile

Government Export Promotion Agency

Tax Portal for Foreign Investors

Trade Agreements (General Directorate for International Economic Affairs)

BancoEstado Chile

Ministry of Foreign Affairs of Chile

Ministry of Economy of Chile

Chile Foreign Investment Committee

This is Chile, official Chile website
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News

Date: 23/Apr/2010

Chilean Finance Minister Felipe Larrain Announces 1.5 billion Global Bond Offering

The Republic of Chile’s Minister of Finance, Mr. Felipe Larrain, announced today that, subject to market conditions at the time of issuance, the Chilean Government intends to conduct a global offering of fixed rate U.S. dollar-denominated bonds and fixed rate Chilean-Peso denominated bonds during the course of this year.

Although the final details of the offering have yet to be determined, the Government anticipates that it will issue about U.S. $1.5 billion in total: U.S. $1 billion of dollar-denominated bond and U.S. $500 million of Chilean-Peso denominated bonds, which are both expected to have a maturity of 10 years from the date of issue.

Chile plans to file a shelf registration statement with the U.S. Securities and Exchange Commission in order to carry out the offering in the United States.

VIDEO

THIS PRESS RELEASE IS NOT AN OFFER FOR SALE OF ANY SECURITIES IN THE UNITED STATES. THE PROPOSED OFFERING WILL BE REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, AND WILL BE MADE BY MEANS OF A PROSPECTUS CONTAINING DETAILED INFORMATION ABOUT THE REPUBLIC OF CHILE.
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Foreign investors guide to financial markets.
3

PUBLIC-PRIVATE COOPERATION

FOREIGN INVESTORS’ GUIDE TO FINANCIAL MARKETS
Foreign investors’ guide to financial markets

Purpose

- To provide detailed information about the Chilean financial market, so that foreign investors can have the basic information they need to best assess the investment opportunities that Chile may offer them.
Foreign investors’ guide to financial markets

Contents

1. General Information
2. Financial Market Description
   › Market participants
   › Equity market
   › Fixed-income market
   › Market infrastructure
   › Intermediaries
3. Legal Aspects
   › Foreign exchange regulations
   › Taxation
   › Administrative tax procedures for foreign investor
4. Practical Step-by-Step guide for Financial Investments
Foreign investors’ guide to financial markets

Preparation

1. Prepared by the IRO Team, checking with other public institution (IRS, Central Bank, Supervisors) and the private Sector (InBest)
2. Reviewed by the Minister of Finance.
3. Foreign investors’ guide was officially presented by the Minister of Finance in London in 2009, in the context of a visit to investors.
InBest

Purpose

1. Non-profit organization aimed at promoting the Chilean capital market’s strengths and advantages in financial services for the international financial community (since November 2009).

2. Permanent communication channel for foreign investors, Chilean securities’ issuers and other participants in the Chilean capital markets, including governmental institutions.

3. InBest members are top executives of well known Chilean publicly listed companies with access to the international capital markets, stock brokerage firms, pension funds, mutual and investment funds, banks, insurance companies, law firms, auditing firms, rating agencies and other recognized local players in Chile.
Chile Day
Purpose

1. Since 2009, the Ministry of Finance and the Chilean private sector (InBest) organize the event “Chile Day” (Non deal Road Show).

2. Chile Day’s purpose is to present the Chilean strengths and opportunities to the principal and relevant actors of the world’s financial center.

3. New York was chosen for the last two editions. Last meeting assembled more than 170 Chilean businessmen, bankers and investors, and a similar number of international counterparties.

IRO ORGANIZATION
IRO
Team and products

1. Staff (5): 2 economists, 2 lawyers, Debt Office Head.
2. Review e-mails and provide response.
4. We currently do not prepare additional reports since we consider that the up to date information disclosed in the website is sufficient. Additionally, we published quarterly public sector debt and sovereign wealth fund reports.
5. We don’t have conference calls since 2007 (except for global bonds issuances). We expect to resume conference calls in 2011.
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