

## **The Ministry of Finance El Salvador presented the Strategy of Medium Term Financing**

On Thursday, May 24, 2018, the Minister of Finance, Mr. Nelson Fuentes presented the strategy of financing for the period 2018-2024 to the Legislative Assembly. Such a strategy has the purpose of improving the profile of the debt portfolio, mitigating potential refinancing risks and taking advantage of opportunity windows in the financial markets which will permit raising funds at better financial conditions for the Republic in terms of interest rates and maturities, as well as improving cash flows in the finances of the Non-Financial Public Sector.

This objective will be achieved by means of the approval and implementation of three Legislative Decrees which have been presented to the Legislative Assembly, to be studied and ruled by its Commission of Finance and Special for the Budget, as follows:

- 1) Approval of a change in the source of funding, to complete financing for Budget 2018, by means of the subscription of a loan agreement with the Inter-American Development Bank (IADB), worth of US\$350 million, as a substitute for the already authorized issuance of credit securities, all with the purpose of obtaining more favorable conditions of rate and maturity; in this way, instead of taking credit by issuing international bonds at coupon rates in the order of 7.5%, the proposal will permit the acquisition of the required funding from the IADB, at an interest rate of 3.25%, and 20 years maturity, including 5.5 years of grace.
- 2) Approval of the issuance of debt securities in the national or international markets, up to an amount of US\$800 million, with maturities of up to 30 years, and the resources raised will be used to pay out the balance of outstanding Treasury Notes, which are obligations having maturities of up to 360 days; all of this will permit improving the debt profile in regards to the structure of maturities, lowering the pressure on the fiscal cash flows, advancing towards a target reduction of floating debt, as established by the Fiscal Responsibility Law, consisting of a maximum ceiling of 20% of current income, once all outstanding Treasury Notes are paid out.
- 3) Approval of a program to refinance outstanding debt securities, national and international, maturing between 2019 and 2024, for

US\$2,457.71 million, of which US\$2,006.46 million are foreign debt and US\$451.25 million of domestic debt, as shown in the following detail:

<b>REFERENCE SECURITY</b>	<b>AMOUNT (Million US\$)</b>
<b>FOREIGN DEBT</b>	<b>2,006.46</b>
Eurobond maturing in 2034 (Includes put clause in September 2019)	286.46
Eurobond maturing in 2019	800.00
Eurobond maturing in 2023	800.00
Bonds maturing 2024	120.00
<b>DOMESTIC DEBT</b>	<b>451.25</b>
Bonds maturing in 2020	15.00
Bonds maturing in 2021	200.00
Bonds Maturing in 2022	236.25
<b>TOTAL</b>	<b>2,457.71</b>

By communicating this strategy, the Ministry of Finance is looking forward to sending a message of certainty to all international investors, as with such a strategy a program of issuances will be structured, which will permit raising funds for the timely payment of such obligations, all of which, as a result of progress reaching political consensus and the capacity to reach nation agreements.