



INTEGRATED ANNUAL REPORT 2022





Name of the organization (GRI 2-1/ 2-2/ 2-3):

Central Bank of Chile

Tax identification number:

97.029.000-1

Ownership and legal form (102-5):

The Central Bank of Chile is constitutionally established as an independent technical institution with legal personality and its own equity. It was created via Decree Law N° 486, published on 22 August 1925.

Headquarters:

Agustinas 1180, Santiago de Chile.

Website:

www.bcentral.cl

Period of the report:

2022

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1.1 Letter from the Central Bank Governor

GRI 2-22

This was a complex year for the Central Bank. Inflation vastly exceeded our 3% target, which forced our institution to make drastic monetary policy decisions, as part of a cycle of rate increases that began the previous year.

Between January and October, the monetary policy rate (MPR) rose from 4.0% to 11.25% in an effort to reduce inflation, which peaked in August at 14.1% annually and closed the year in December at 12.8%.

Since then, the MPR has been held constant to allow the adjustment process to consolidate, although inflation remains high in an extremely volatile external scenario.

The battle against inflation, which has been backed by an orderly fiscal policy, continues to be the main challenge facing the Central Bank, and we are committed to doing everything within our power to ensure that inflation returns to the 3% target within a two-year horizon.

The Bank has an excellent team for addressing this and the other issues assigned to us under our legal framework, always acting in a strictly technical capacity.



In the first months of the year, renowned economists Luis Felipe Céspedes and Stephany Griffith-Jones joined the Board. Their vast experience and knowledge represent a tremendous support to the Bank's work, in conjunction with Deputy Governor Pablo García and Board Member Alberto Naudon.

In the year, we not only faced the anti-inflation challenge, but also undertook intensive work to rapidly adapt our organization to the demands of a changing and highly volatile world.

This volatility manifested in the evolution of the exchange rate, which the Bank had to address through a foreign exchange intervention and the preventive provision of dollar liquidity of up to USD 25 billion.

Conditions became uncertain in the face of a new external shock: namely, the war between Russia and Ukraine, which heightened global uncertainty. In this context, the decision was made to expand the sources of foreign currency liquidity. For that purpose, the Bank forged agreements with the Latin American Reserve Fund (FLAR), the International Monetary Fund (IMF), and the Bank for International Settlements (BIS).

To fulfill our objective of safeguarding financial stability, we incorporated the Basel III standards, expressed mainly in strengthening the foundations of the banking system. In the year, two financial policy meetings were held for the first time, in which the Board assesses

whether it is necessary to adjust the Countercyclical Capital Requirement in order to increase the system's resilience to severe stress scenarios.

Additionally, regulations were issued for the retail clearing houses and to facilitate people's access to savings accounts.

In our ongoing effort to expand our statistical information, we started the quarterly publication of regional GDP, updated the benchmark compilation that serves as the basis for calculating the national accounts, and launched an integrated derivatives information system.

Global technological advances and digitization are a permanent concern for our institution. Thus, last year we published our first report on the possibility of issuing a Central Bank digital currency. The report provides material for the broader technical discussion exploring how to adapt retail transactions to incorporate a type of money that can gradually replace cash.

At the same time, the Bank continues to supply the country with banknotes and coins, which implies complex logistics of manufacturing, distribution, and the destruction of units that have completed their useful life. Last year, we published the First Report on the Payment Systems and the National Survey on Cash Use and Preferences, which both revealed a drop and subsequent reversal in the use of banknotes and coins,

even as electronic payment methods continue to increase.

In other areas, we have strengthened our risk management, especially in terms of information security and cybersecurity, and we have expanded the development of initiatives that contribute—within the scope of the Bank's ability—to addressing the consequences of climate change.

Our institution is acting as a technical advisor to the government's recently formed Natural Capital Committee, where we expect to contribute through the development of models for measuring natural capital.

In work that is an essential aspect of our policies, we expanded our outreach to a wide range of stakeholders, with an increasing focus on regions outside of Santiago. We conducted multiple lectures, seminars, workshops, and data collection, so as to increasingly and consistently integrate the entire country. The year's activities included sessions for a job training center and for parents and guardians at daycare centers in vulnerable sectors.

During my first year as Governor of the Bank, we began the intense work of preparing the 2023–2027 Strategic Plan, which takes as its starting point the vast achievements of the last Plan (2018–2022) and outlines a path for a future marked by a quickly changing environment.

This in-depth work, under a co-creation model in which practically the entire staff participated, was recorded in a planning document entitled “Our Mandate, Our Commitment,” based on the assumption that the main institutional challenge is to bring inflation back to the 3% target.

The document, which will be available to the public throughout the cycle, records the four values that guides the work of this institution for the fulfillment of its objectives: excellence, commitment, probity and transparency, and respect and diversity.

The four strategic priorities that we defined point, first, to strengthening monetary and financial policies to ensure that they are state-of-the-art; second, to promoting integration and efficiency as a hallmark of the

organization; third, to fostering the development of the people who work at the Bank; and fourth, to reinforcing our commitment and connection to society.

Each priority has its own objectives and initiatives to ensure its achievement, and together they form the roadmap for fulfilling our mandate with the greatest possible efficiency and excellence.

The Central Bank’s team is highly committed to the mandate established in the Basic Constitutional Act, because we are fully aware that this is the best way that we can contribute to the country’s development and the people’s well-being.

We are living in difficult times, marked by rapid-fire changes and an extremely complex environment. The

Chilean economy is immersed in an adjustment process that we hope will be the least painful possible for people, especially the most vulnerable.

Our institution will continue to make the necessary efforts to bring inflation back to the target, so that it will cease to be an obstacle to growth and employment and a nightmare for a significant share of the population, who are feeling the effects in their daily lives. That is our firm commitment.



ROSANNA COSTA
Governor, Central Bank of Chile

From this baseline, we were able to adjust to the gradual normalization process in 2022, with the implementation of a hybrid work model that allowed us to combine inperson work at the Bank's offices with remote work at home. This initiative, which was well-received by our institution's staff, has supported the achievement of work-life balance for our employees.

The Central Bank is recognized as an excellent place to work. We earned second place in the Great Place to Work Women 2022 for organizations with 250 to 1,000 employees, three positions higher than last year. This reflects systematic work to attract female talent to our organization. Moreover, we recently took fifth place in the general ranking, supported by concrete actions to improve the work climate. In the annual Great Place to Work climate survey, we earned a positive evaluation of over 80% for the second consecutive year.

It will always be a source of pride to manage an organization with such an excellent staff that is highly committed to our objective. This is a team that is not daunted by the new challenges. Over the course of the year, we strengthened our risk policies and implemented various projects establishing new controls and alerts in the face of the ever-present and growing cybersecurity risk, including strong work to raise awareness and educate our staff to prevent attacks on our systems. Additionally, among our other achievements, I would highlight the increase in the number of publications by our economic researchers in top international journals.

As a Bank, we have also significantly strengthened our actions in the area of sustainability. Internally, we are working to mitigate the environmental impacts of the Bank's operations and maintain our recycling program for banknotes that are withdrawn from circulation; externally, we are acting as technical advisors to the Natural

Capital Committee created by the country's President and contributing, in line with our mandate, through the generation of key information on these technical aspects.

An important priority in our sustainability policies is to extend the scope of our financial literacy initiatives, especially for students, teachers, and the wider community. We also seek to facilitate decisionmaking among other audiences through the generation of new information related to regional and gender statistics.

2022 was also marked by intensive work to develop the Strategic Plan for the 2023–2027 period. The process featured a high level of internal participation, as well as the incorporation of perceptions from different external focus groups, especially from different regions of the country.

1.2 Letter from the General Manager

For the Central Bank, 2022 will be remembered for the sharp spike in inflation, which reached levels not seen since the early years of the institution's independence, that is, since the early 1990s.

It is and will continue to be our greatest challenge, especially given the volatile and rapidly changing environment, which is further marked by global uncertainty regarding the ongoing consequences of the pandemic-related crisis and the effects of the change in the geopolitical scenario.

As an organization, we have faced this important challenge to our mandate without neglecting the multiple areas of our work or the responsibilities that this scenario imposes on us. Numerous issues are becoming increasingly relevant for society, such as climate change and its impacts on natural capital, the transformation of business models due to technological advances, the need to digitize multiple processes, the incorporation of diversity as a core value for any organizational culture, the adoption of new ways of working, and so forth.

Like many organizations, the Bank was put to the test in 2022 in terms of its capacity to adapt to the conditions imposed by the pandemic, especially the need to maintain operational continuity during the public protection measures implemented by the health authority. The lockdowns obligated us to organize and sustain remote work, which required a tremendous technological effort.



The Plan, which sought to establish continuity with the previous planning period (2018–2022), led us to review the Bank’s mission, vision, and institutional values,

identifying five large objectives and four strategic priorities, which fundamentally point to fulfilling our mandate: namely, strengthening monetary and financial policies to ensure that they are state-of-the-art; promoting integration and efficiency in the organization; fostering the development of the people who work at the Central Bank; and reinforcing our connection to society.

Each of these priorities has specific lines of action and ini-

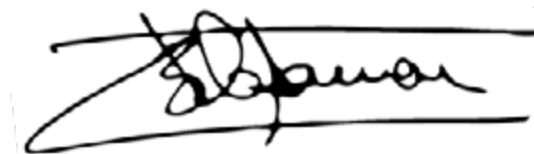
tiatives that will be deployed over the course of the

five-year period. This will imply continual follow-up and monitoring, as well as the introduction of adjustments if needed in response to changes in the environment.

The world of disruptive changes that we see today presents new challenges on a daily basis. Technological advances, the consequences of climate change, and the tremendous amount of information at our fingertips force us to improve our ability act quickly, without losing sight of who we are as a public entity: a technical institution characterized by professional excellence,

always working within the framework of strict compliance with our mandate.

This is how we can contribute to the well-being of all Chileans, and it is our unwavering commitment as a public institution.



BELTRÁN DE RAMÓN
General Manager,
Central Bank of Chile

1.3 Highlights of 2022

JANUARY

• **Mario Marcel resigns as Governor of the Central Bank**

His decision was communicated following the announcement of his appointment as Finance Minister in President Gabriel Boric's cabinet.

• **Public consultation opened on proposal on fixed-term savings accounts**

The Bank opened a public consultation on modernizing chapters in Section III.E of the Compendium of Financial Regulations (CNF) on savings accounts, to adapt to recent developments in the financial industry. The process lasted 60 days.

• **Publication on the economy and the environment**

As part of the Economic Policy Documents, se-

A year of intense activity

In 2022, the effects of inflation shooting far above the Central Bank's target were felt in all sectors of the economy. People, small and medium-sized enterprises, large corporations, the financial system, the public sector, and all economic agents were particularly focused on our role in controlling price stability.

ries, we published "Economic Growth and Biodiversity: Something Has to Give" (in Spanish) by Deputy Chairman Joaquín Vial and Research Division Director Elías Albagli.

• **Research published on financial intermediation in Chile**

The report "Financial Intermediation and Central Banking in Chile" (in Spanish) summarizes our own and other research on the macroeconomic importance of financial intermediation (in particular in the banking sector), the characteristics and assessment of its functioning in Chile, and the interaction with monetary and financial policies in normal and crisis times.

• **Teacher training in financial education**

We graduated 222 teachers in the fourth online course "City of Opportunities," organized in

conjunction with the MIPP Millennium Institute and the University of Chile. In the course, teachers and student teachers learn about micro- and macroeconomics, the functioning of the financial market, personal finances, money management, and the role of the Central Bank.

• **Revision of the Ethics Committee statutes**

Our Board approved modifications to the Ethics Committee statutes, which is now the Ethics and Conduct Committee.

• **Advances on compliance**

We created the position of Compliance Officer, who is responsible for the development and implementation of an Annual Compliance Plan (reporting channels, declaration system, etc.). In May, attorney Javier Cruz Tamburrino was appointed to the position.

FEBRUARY

• **Innovations in retail payments**

Following a period of public consultation and the analysis of the inputs received, we published a new regulation authorizing the creation of the Low-Value Payments Clearing House (LVCH) and the regulation of its functioning, with the objective of facilitating developments and innovations in retail payments.

• **Farewell Ceremony for Joaquín Vial**

The Central Bank staff held a farewell ceremony for our Deputy Governor, who completed his ten-year term as Board Member in early February.

• **January Monetary Policy Meeting**

In a unanimous decision, the Council agreed to increase the Monetary Policy Interest Rate (MPR) in 150 basis points, up 5.5%.

• **Rosanna Costa is appointed Governor of the Central Bank**

The President of Chile, Sebastián Piñera, appointed Board Member Rosanna Costa as the new Governor of the Central Bank. She is the first woman to hold the position in the history of the institution.

• **Pablo García, the new Deputy Governor of the Central Bank**

In a unanimous decision by the Central Bank Board, Pablo García was appointed to replace Joaquín Vial as Deputy Governor, for a period of two years.

• **Luis Felipe Céspedes joins the Board**

The former Minister for the Economy, Development, and Reconstruction, who holds a Ph.D. in economics, was appointed by President Sebastián Piñera and

approved by the full Senate in December. He replaces outgoing Member Joaquín Vial, for a ten-year term.

• **Membership in FLAR**

The Central Bank joined the Latin American Reserve Fund (FLAR), a regional financial agreement between nine countries in the region to support their balance of payments and guarantee third-party loans, as well as improve the investment conditions for the countries' international reserves. Incorporation in the fund will expand the Bank's sources of foreign currency liquidity and contribute to strengthening the regional financial security network.

MARCH

• **Basel III adoption complete**

With the publication of modifications to Chapter III.B.2.1 of our Compendium of Financial Regulations (CNF), we have completed and deepened our regulations applicable to the banks' liquidity management, concluding our adaptation to the Basel III framework.

• **Publication of 2011 Monetary Policy Meeting records**

In line with our commitment to institutional transparency, we published the full record of every Monetary Policy Meeting in 2011, in keeping with our commitment to release these records after ten years.

• **Governor committed to gender equity**

Our Governor, Rosanna Costa, presented the report "Gender Perspective in the Central Bank of Chile," which discloses the share of women in management

positions and specialized professional areas within the institution.

• **Participation in Global Money Week**

We participated in Global Money Week, an initiative promoted by the Organization for Economic Cooperation and Development (OECD) for the past ten years. The program is oriented toward raising awareness among youth, to promote the acquisition of financial knowledge at a young age. Activities are carried out in conjunction with the Financial Market Commission (FMC) and the National Consumer Service (Sernac).

• **National Accounts with the new Benchmark Compilation**

We published the national accounts series for the 2013–2021 period, based on the new Benchmark Compilation for the Chilean economy, corresponding to 2018. The new compilation incorporates new methods and data

sources, such as granular data from Internal Revenue Service administrative records, which were not previously available.

• **March Monetary Policy Meeting**

In a unanimous decision, the Board voted to raise the MPR by 150 basis points, to 7.0%.

• **March IPoM**

Bank Governor Rosanna Costa presented the March Monetary Policy Report (IPoM) to the Senate Finance Committee.



APRIL

• ***New Code of Conduct for Board Members***

The Central Bank Board has adopted and circulated a Code of Conduct that establishes standards, obligations, and prohibitions that must be applied by our Board Members in the performance of their functions. The Code is more stringent than the minimum standards established in the current legislation and reflects our commitment to exercising the highest standards of integrity in the fulfillment of our mandate.

• ***Participation in the discussion on financial innovation, FinTech, and cryptoassets***

Deputy Governor Pablo García presented favorable comments on draft legislation promoting competition and financial inclusion through innovation and technology in the provision of financial services. He highlighted the benefits and risks of cryptoassets, virtual digital currencies, and intangibles that can be exchanged for goods, services, or cash, without the involvement of formal institutions.

• ***Presentation in the House of Representatives***

Governor Rosanna Costa spoke before the House Committee on Constitution, Legislation, Justice, and Regulations regarding draft legislation to modify the founding charter to authorize another early withdrawal of pension funds.



MAY

• ***May Monetary Policy Meeting***

In a unanimous decision, the Board voted to raise the MPR by 125 basis points, to 8.25%.

• ***Stephany Griffith-Jones joins the Board***

The Board welcomed Stephany Griffith-Jones to the Bank in March, following the Senate's ratification of her appointment, made by then-President Sebastián Piñera. She will hold the position through December de 2025, to complete the term formerly held by Mario Marcel.

• ***Chilean nomination to the IFC***

Deputy Governor Pablo García was nominated to chair the Irving Fisher Committee (IFC), a forum of central bank economists and statisticians to share experiences and good practices on statistical issues of interest to these institutions. The IFC has 96 member institutions from 93 countries; the Central Bank of Chile has been a participant since June 2006.



• **First Financial Policy Meeting**

In its first Financial Policy Meeting, the Central Bank Board voted unanimously not to activate the countercyclical capital requirement. This is a new macroprudential tool aimed at increasing the financial system's resilience to severe stress scenarios through a capital requirement applied to the banking system depending on the phase of the economic cycle. The requirement, which is in line with the new Basel III capital standards for banks and the provisions of the General Banking Law, is established in coordination with the FMC. The decision not to activate the countercyclical capital requirement was unanimous among the Board Members.

• **FSR, 2022 First Half**

Governor Rosanna Costa presented the Financial Stability Report (FSR) for the first half to the Senate Finance Committee via teleconference.

• **First exploratory report on digital currencies**

We published the report "The Issue of a Digital Currency by the Central Bank of Chile. First Report: Preliminary Evaluation" (in Spanish). The report, which was prepared by the Bank's Working Group on Digital Payments, led by Board Member Alberto Naudon, constitutes a starting point for the discussion on the possibility of issuing Chilean pesos digitally.

• **New IMF credit line**

To complement its sources of external liquidity, the Bank accepted a Short-term Liquidity Line (SLL) from the International Monetary Fund, for a renewable period of one year and with a limit of USD 3.5 billion. In

2020, in the midst of the Covid-19 crisis, the Bank took out a Flexible Credit Line with the IMF for a period of two years, for approximately USD 24 billion.

• **Complaint to the Public Prosecutor**

We issued in a press release on the filing of an allegation of identity theft with the Public Prosecutor's Office by an international consulting services supplier contracted by the Bank in its role of fiscal agent for the sovereign wealth funds.

• **New Financial Policy Division Director**

The Central Bank Board appointed Rosario Celedón Förster to the position of Financial Policy Division Director. Ms. Celedón is a former FMC commissioner, attorney, and Master of Law.

• **Presentation in the House of Representatives**

Deputy Governor Pablo García spoke before the House Committee on the Economy, Development, SMEs, Consumer Protection, and Tourism regarding draft legislation

to eliminate and prohibit the use of data on unpaid debts as of 30 April 2022.

- ***The Bank opened its doors to the public on National Heritage Day***

In the previous two years, this activity was held remotely, due to the pandemic. This year's tour, which lasted about 40 minutes, took visitors through various parts of the Bank, where staff members explained the institution's role, objectives, and functions.

JUNIO

- ***June Monetary Policy Meeting***

In a unanimous decision, the Board voted to raise the MPR by 75 basis points, to 9.0%.

- ***June IPoM***

Governor Rosanna Costa presented the June IPoM to the Senate Finance Committee.

- ***Quarterly GDP for the regions***

For the first time, we published quarterly statistics on regional gross domestic product, which were presented by Bank staff in various cities in northern, central, and southern Chile.

- ***BIS agreement***

The Renminbi Liquidity Arrangement (RMBLA) with the Bank for International Payments (BIS) will provide access to complementary liquidity in both U.S. dollars and Chinese Renminbi. This agreement, which includes

the participation of five other central banks, comes in addition to the other liquidity lines signed with the IMF and the Latin American Reserve Fund (FLAR), as well as the FIMA Repo Facility from the Federal Reserve Bank of New York, which provides temporary liquidity in dollars using U.S. Treasury securities as collateral.

- ***Updated regulations on savings accounts***

Through the incorporation of new chapters in the Compendium of Financial Regulations (CNF), we updated the regulation on savings accounts to allow them to be opened remotely, to permit marketing them in conjunction with other products, to reduce the restrictions for obtaining interest and inflation adjustments, and to increase transparency in this market.

JULY

• **CBC in the conversation on the economy and the environment**

We published the report “COP 26: Where are the Climate Agreements Heading?” (in Spanish), by Elías Albagli and Julio Codano, to provide perspective on the latest advances in the conversations among countries to establish targets to help reduce global warming and how it will affect the world’s economies.

• **July Monetary Policy Meeting**

In a unanimous decision, the Council decided to increase the MPR. by 75 basis points, up to 9.75%.

• **The Bank announces foreign exchange intervention program**

To facilitate the Chilean economy’s adjustment to global uncertainty and the changing internal and external conditions, the CBC Board decided to implement a foreign exchange intervention and preventive dollar liquidity provision program of up to USD 25.0 billion, implemented between 18 July and 30 September 2022.

• **Survey on digital currencies**

To collect opinions from anyone interested in the potential issue of a digital currency by the Central Bank, we implemented a survey of the general public and interested parties, such as financial institutions, firms

involved in the payment chain, and other actors in the financial and technology sectors. The survey included a re-gistration form for those interested in participating in workgroups to discuss the issue.

• **First report on the payment system**

We published the first Payment System Report, which will be issued annually. The report discusses the functioning of payments and financial market infrastructures, as well as trends and policy developments.

• **Presentation in the House of Representatives**

Governor Rosanna Costa spoke before the House Committee on the Economy, Development, SMEs, Consumer Protection, and Tourism regarding draft legislation to create a Consolidated Debt Registry.

AUGUST

- **Publication of regional statistics**

We launched the publication of “El mirador regional,” a Central Bank report that includes regional GDP statistics.

- **Publication of gender statistics**

We are now diffusing gender statistics generated by other entities, to facilitate access and analysis.

- **New liquidity agreement with the IMF**

We accepted a flexible credit line with the International Monetary Fund (IMF) for USD 18.5 billion, which replaces the short-term liquidity line of USD 3.3 billion opened in May. Discussions with the IMF began in June in response to the deterioration of the external scenario and the heightened global uncertainty.

- **Publication of experimental statistics**

We launched the publication of experimental statistics, with the goal of diffusing indicators that are in the process of being developed or consolidated—which could imply significant revisions in the published series and which are generally innovative in nature, in terms of the data sources, the statistical methods, and/or the research environment. The publication of experimental statistics aims to accelerate the statistics preparation cycle and receive feedback from users in the early phases of development.

- **Modifications to improve foreign exchange market access and functioning**

As part of the process of modernizing foreign exchange regulations, and following a public consultation, we revised the regulations on access to and the functioning of the formal exchange market. The modifications aim to facilitate market access for financial intermediaries that are supervised by the Financial Market Commission (FMC) and incorporate requirements for market participants that use electronic transaction platforms.

SEPTEMBER

• **September Monetary Policy Meeting**

The Central Bank Board voted to increase the MPR by 100 basis points, to 10.75%. The decision was made following a majority vote by Governor Rosanna Costa and Board Members Alberto Naudon and Luis Felipe Céspedes. Deputy Governor Pablo García voted to increase the MPR by 125 basis points, while Board Member Stephany Griffith-Jones voted to raise it 75 basis points.

• **IPoM de September**

Governor Rosanna Costa presented the September IPoM to the Senate.

• **Improvement in the job posting index**

We published the Internet job posting index with a breakdown by region and occupational group. The index is constructed using information provided by

the main job listing websites, which includes information on job offers by sector.

• **Conclusion of the foreign exchange intervention program**

As planned, we announced the conclusion of the foreign exchange intervention program, having fulfilled the objective of supporting the adequate functioning of the foreign exchange market, thereby facilitating the economy's and the financial market's adjustment to internal and external conditions.

OCTOBER

• **October Monetary Policy Meeting**

In a unanimous decision, the Board voted to raise the MPR by 50 basis points, to 11.25%.

• **International Financial Literacy Seminar**

The Central Bank organized the second annual International Financial Literacy Seminar, "Different perspectives for common challenges," which featured speakers from the Organization for Economic Cooperation and Development (OECD), the Inter-American Development Bank (IDB), the Bank of England, the World Bank, and the Financial Market Commission (FMC). The event explored financial inclusion and literacy, in a context of major changes at the social level, to bring finances and the economy closer to the general public and youth.

NOVEMBER

• **Presentation of the 2021 Household Finance Survey**

Governor Rosanna Costa presented the survey results at a press conference, together with the Financial Policy Division Director, Rosario Celedón, and the statistics Division director, Gloria Peña. This fifth survey, covering 4,400 households in the main cities in Chile, captured key results on the financial situation of households in the context of the Covid-19 pandemic.



• **XXV Annual Conference of the CBC**

This year, the conference, which is one of the most important events we organize each year, analyzed issues related to heterogeneity in the macroeconomy and its implications for monetary policy. The program featured a keynote address by Thomas J. Sargent, Professor at New York University, as well as speakers from the International Monetary Fund, the U.S. Federal Reserve, the Bank of Canada, Stanford University, the University of Chicago, and the University of California, and board members and economists from the Central Bank.

• **Second Financial Policy Meeting**

In its second Financial Policy Meeting, the Central Bank Board voted unanimously not to activate the countercyclical capital requirement.

• **FSR, 2022 Second Half**

Governor Rosanna Costa presented the Financial Stability Report (FSR) for the second half to the Senate Finance Committee in Valparaíso.

• **New IDIS-TR system**

We launched the Integrated Derivatives Information System (IDIS-TR), the country's first financial market infrastructure corresponding to a derivatives repository. This digital space improves the level of market transparency, thereby contributing to the monitoring of financial stability and to the regulators' oversight of exchange rate, interest rate, inflation, and other derivatives.

• **Adjustments in financial operations implemented in 2020**

The Central Bank Board decided that, as of January 2023, the constitution of collateral would be reduced in the loan portfolios associated with the Conditional Financing Facility for Increased Loans (FCIC), which was one of the main tools introduced by the Bank to address the financial tensions deriving from the Covid-19 pandemic.

DECEMBER

• **December Monetary Policy Meeting**

In a unanimous decision, the Board voted to raise the MPR by 50 basis points, to 11.25%.

• **December IPoM**

Governor Rosanna Costa presented the December IPoM to the Senate Finance Committee.

• **CBC discusses finance and gender on Chile Day**

Our Financial Policy Division Director, Rosario Celledón, presented the results of “Women in Finance in Chile” in London, in the context of the first Chile Day. This survey of gender issues in the financial sector highlights the importance of statistics and research with a gender focus for our organization.

• **Publication of new information on companies**

As part of the “Experimental Statistics” section of our Statistics Database, we launched the publication of company dynamics indicators based on administrative records. These monthly indicators show the total number of companies that declare income; the number of new companies; those that declare positive sales for the first time; those that have not recorded sales for three consecutive months; and the net entry of companies.

• **Publication of CBC Board records for 1984–1989**

In the framework of promoting transparency, and in keeping with our actions of the past several years, the Board records for 1984–1989 (428 documents) were made publicly available, thereby maintaining the agreed timeline for increasing the availability of information of public interest.

• **Winners of the Economics Up Close contest**

Students from the Rubén Castro School in Viña del Mar and the Liceo Bicentenario Padre Nicolás in Viñún received their awards for first place in their respective categories in the high school contest, Economics Up Close, organized annually by the Central Bank. This year, the Bank received 331 videos re-recorded by 990 students and 100 teachers from around the country. The winners and the second and third place teams received their awards in a ceremony held at the Central Bank.



1.4 The Year in Numbers

Our People

 **708**
direct employees



2° place in the 2022 Great Place to Work for Women

Our mandate

12.8%
inflation in December
2022

381

external employees

80%

hybrid work

82

workplace climate score (out of 100)

3%

Inflation target

26%

Value of total assets (over total GDP)

Our Results

US \$3,422.5

billion income

US \$44,285.9

billion CBC det at market value

US \$39,154.1

billion international reserves at market value

Our cash management

37 Million

new banknotes delivered to the market

318 Million

new coins supplied

US \$6,150

billion sale of reserves

US \$34,067.7

billion for the total FCIC

Our social and environmental management

284

tons de banknotes recycled and/or reclaimed

125,059

visits to the Central en tu Vida website

274,207

visits to billetesymonedas.com



TESTIMONIALS

All my life, I have worked in treasury and accounting. Some years ago, I moved to central Santiago to work for a supermarket. During the pandemic, we were affected by the lack of cash. Our customers would complain because there weren't enough bills and coins to make change.

One day, I saw a line of people waiting to enter a big building on the corner of Agustinas and Morandé, and I stopped to ask what they were doing. It was the entrance to the Central Bank, and the people needed to get change. So I started going twice a week. From that moment on, I was never short of bills and coins. In my work as treasurer of the supermarket, it's my job to close out the cash registers, review the electronic payments, and make sure that all the registers have enough cash to make change. I love my job. Now I go to the Central Bank once a week to get what I need to run the store.

It all works perfectly. I call the day before, and a very nice young woman takes my name, phone number, and ID number and then gives me an appointment. The next day, I go to the Bank at the appointed time and get the change I need. I have to say that the phone receptionist and the security guards are all very nice. You just don't get that kind of service at the commercial banks anymore.

Before I happened to pass by that corner during the pandemic, I didn't really know what the Central Bank was. I think more people should learn about its role in our society. It's an institution that seems really formal and serious, but it has a direct impact on my life, through its role in cash management.

I hope to continue working at my job with the supermarket and to maintain this great relationship with the Bank. Their work makes my work more prosperous.

Blanca Carvajal, 65 years.
Accountant, treasurer of a supermarket store
Santiago, Metropolitan Region



“I go once a week, and thanks to them, I have enough cash for the supermarket.”



02. Governance

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2.1 The Board of the Central Bank of Chile

GRI 2-9

In addition to establishing the Central Bank of Chile's objectives and functions, the Basic Constitutional Act N°18,840 defines the management hierarchy and limitations, as well as the application of internal governance, which is led by the Board.

Board Members are chosen based on their professional merit, their experience in areas related to the economy, macroeconomics, and finance, their academic history, and/or past public service. Among the requirements for holding the position, Board Members must work exclusively for the Central Bank and are only allowed to participate in academic activities and nonprofit organizations.

How is the Board of the Central Bank chosen?

GRI 2-10

The Board is made up of five people, who are appointed by the President of Chile via Executive Decree and then confirmed by a simple majority of the Senate.

The person who acts as Governor conducts the Bank's relations with public authorities and national and international financial institutions. The Governor chairs the Board, reports to the President of Chile and the Senate on general policies and regulations adopted by the Bank, and is responsible for the out-of-court representation of the Bank.

Term of office

10 years

Term of office for Board Members

5 years

Term of office of the Governor (or until the end of his or her term as Board Member)

Functions

The Board's functions include:

- Carry out the Bank's mandate, in terms of making decisions on monetary policy and financial and foreign exchange regulations.
- Advise the President of Chile on all matters associated with the Bank's functions in the national economy.

In accordance with the Basic Constitutional Act, the Finance Minister can attend Board meetings and is accorded the right to speak, and he or she is thus allowed to be present at meetings where the Board adopts agreements or resolutions on the organization and its functions and can attend Monetary Policy Meetings, albeit without the right to vote. At Board meetings, the Minister can suspend any agreement or resolution adopted at that meeting, for a limited period, where the Board Members can override the Minister by unanimous vote.

The Governor of the Bank plays a coordinating role with the Finance Ministry, while always upholding the framework of Central Bank independence.

Board Members

GRI 2-9, 2-10, 2-11

Rosanna Costa

Governor of the Central Bank of Chile

Ms. Costa was appointed Governor of the Board in February 2022, having acted as Board Member since 2017. She holds a degree in business administration, with a minor in economics, from the Catholic University of Chile. She has a long career in academic and public service, including different positions within the Central Bank, participation on boards and presidential commissions, and teaching positions.

[Learn more](#)





Pablo García
Deputy Governor

Appointed Deputy Governor in February 2022, Mr. García holds a Bachelor of Business Administration and Master of Economic Science from the Catholic University of Chile and a Ph.D. in Economics from the Massachusetts Institute of Technology (MIT). He has vast experience in economic policy and macroeconomics and has held key managerial positions within the Bank. He also performs teaching activities.

[Learn more](#)



Alberto Naudon
Member

Mr. Naudon has been a Board Member since March 2018. He holds a Bachelor of Business Administration from the Catholic University of Chile; and a Master and Ph.D. in Economics from the University of California at Los Angeles. He has pursued a career in macroeconomic analysis and research, holding various positions at the Bank and in the private sector. He also teaches.

[Learn more](#)



Luis Felipe Céspedes
Member

Mr. Céspedes joined the Board in February 2022. He holds a Bachelor of Business Administration from the Catholic University of Chile, minoring in economics and management, and a Ph.D. in Economics from New York University. He is the former Minister of the Economy, Development, and Tourism and has held numerous positions in public service and research, including at international organizations. He is also a university professor.

[Learn more](#)



Stephany Griffith-Jones
Member

Ms. Griffith-Jones joined the Board in May 2022. She holds a Ph.D. in Economics from Cambridge University. As a university professor, she has conducted research in international finance and has also acted as advisor to multiple multilateral organizations, governments, and central banks. She is the author of several books and a member of scientific boards and think tanks.

[Learn more](#)

Collective knowledge

GRI 2-17

The Board Members are constantly reviewing and studying information on local and international macroeconomic and financial trends. They regularly participate as speakers at seminars and conferences both in Chile and abroad, so that they are part of the discussion on the most advanced global developments in these areas. One of the most important events in which they are active participants and supporters is the Annual Conference of the Central Bank of Chile, where our Board invites experts, researchers, and academics from central banks and monetary policy authorities around the world, to review the latest advances in macroeconomic and financial research.

Remuneration

GRI 2-19, 2-20

Board compensation is set by the President of Chile, via an [Decreto Supremo del Ministerio de Hacienda](#). It was most recently modified in 17 February 2022.

According to Article 10 of the Central Bank's Basic Constitutional Act, Board remunerations are proposed by a commission made up of former Central Bank governors or deputy governors, who are appointed by the President of Chile. The act stipulates that the proposal be based on the remunerations currently paid to the highest executive officers of private sector banks.

In 2022, the Board Members received the following compensation for their service:

Position	Gross monthly remuneration	Additional compensation for responsibility and exclusivity	Total gross remuneration	Total net remuneration
Governor	CLP 9,946,610	CLP 7,957,288	CLP 17,903,898	CLP 12,439,683
Deputy Governor	CLP 9,946,610	CLP 5,967,966	CLP 15,914,576	CLP 11,242,373
Members	CLP 9,946,610	CLP 4,973,305	CLP 14,919,915	CLP 10,595,844

Note: Net amounts are shown for reference purposes, considering estimated legal deductions for income taxes and pension and social security contributions.

Evaluation

GRI 2-18

As an independent entity, the Central Bank of Chile is not subject to a formal evaluation system. However, we commission independent expert evaluations on specific issues, as an exercise in transparency and in search of opportunities for improvement.

Details on the evaluations carried out since 2003 are available [here](#).

2.2 Senior Management

GRI 2-12, 2-13, 2-14

The senior management of the Central Bank is also established in the Bank's Basic Constitutional Act and includes the General Manager, Comptroller, and General Counsel. Beneath this top tier are eight division directors and a personnel director, who report directly to the General Manager. The divisions, in turn, comprise a total of 22 areas, for specialized management.

General Manager

The General Manager is responsible for the immediate oversight and management of the Bank, with powers and instructions given by the Board.

General Counsel

The General Counsel reviews the legality of the Bank's agreements, resolutions, and contracts, controlling the legal risk associated with the Bank's actions.

Comptroller

The Comptroller's mission revolves around the inspection and internal audit of the Bank's accounts, operations, and management rules

Based on guidelines from the Board, this team carries out the management of the institution and, therefore, are responsible for how this affects the environment and the organization itself. They also lead the sustainability and financial reporting process through the publication of the Integrated Annual Report.

General Manager

In accordance with the provisions of Article 24 of the Basic Constitutional Act, the General manager is in charge of the immediate oversight and management of the Bank and must perform routine management functions and other functions assigned by the Board. Furthermore, he must provide the rest of the institution with instructions and recommendations for an efficient management and smooth execution of operations. He is also the legal representative of the Bank.

In 2022, the General Manager led the team responsible for developing the Strategic Plan for the 2023–2027 period, defined to meet the objectives established by our constitutional mandate.

The Basic Constitutional Act also specifies the functions of the General Counsel and the Comptroller and Auditor General.



Beltrán de Ramón

General Manager

Since July 2021.

Mr. De Ramón holds a Bachelor of Business Administration, with a minor in economics, and a Certificate of Corporate Governance, both from the Catholic University of Chile. Prior to joining the Central Bank in 2005, he worked as Financial Analyst and Head of Treasury at Copec S.A.; Public Finance Division Director in the Finance Ministry's Budget Office, which he also represented as a Director of the Public Company System (SEP); and Director of the National Mining Company (ENAMI). At the Central Bank, he has held the positions of National Financial Markets Manager and Financial Markets Division Director..



Juan Pablo Araya

General Counsel

Since June 2014.

Mr. Araya has a Bachelor of Law from the University of Chile, a Master of Business Law from Adolfo Ibáñez University, and a Master of Laws from the University of California at Berkeley. He joined the Central Bank in 2004, serving as a senior attorney in the Office of the General Counsel for eight years. Previously, he served as the General Counsel of the Chilean Association of Banks and Financial Institutions; director and member of the Executive Committee of Sinacofi; and legal advisor to the interbank securities depository, Sociedad Interbancaria de Depósito de Valores S.A.



Silvia Quintard

Comptroller and Auditor General

Since January 2007.

Ms. Quintard is a Certified Public Accountant from the Diego Portales University, Chile; and has a Master of Business Administration (MBA) and Master of Laws with a minor in Business Law, both from the Catholic University of Chile. She is a graduate of the senior management program (PADE) of the ESE Business School at the University of Los Andes and has Certification in Risk Management Assurance (CRMA) from the Institute of Internal Auditors. She has served as an IMF consultant on corporate governance for the Central Banks of Guatemala, Bolivia, and Ecuador. Over the course of 18 years, she worked with national and international financial groups, as well as the Superintendence of Banks and Financial Institutions (SBIF).

Division Directors

The institution's governance includes an executive structure that covers the different areas of the Central Bank's operations.



Elías Albagli

Monetary Policy Division
Since June 2018



Rosario Celedón

Financial Policy Division
Since June 2022



Raimundo García

Operations Division
Since April 2019



Mariela Iturriaga

Administration and Technology Division
Since January 2019



Michel Moure

Institutional Affairs Division
Since June 2018



Gloria Peña

Statistics Division
Since June 2015



Paulina Yazigi

Financial Markets Division
October 2021 to December 2022



Diego Ballivián

Corporate Risk Division
Since March 2021

For more information and details on the other areas of the Central Bank, [click here](#).

2.3 Audit and Compliance Committee (ACC) and Information and Technology Committee (ITC)

GRI 2-9, 205-1, 205-2, 205-3

Our Board has two advisory committees to provide an expert independent external perspective: the Audit and Compliance Committee (ACC), whose main function is to advise the Board on compliance with the institutional objectives in relation to corporate governance, and the Information and Technology Committee (ITC), which supports the Board and the General Manager on the strategy and risks associated with technology implementation.

CAC 2022

In its role as an advisory body, this committee reports to the Board on the efficacy of the Bank's internal control procedures and systems. It also analyzes the equity and reputational effects of our decisions, evaluates the reliability of the information in the financial statements, reviews the Annual Audit Plan, and participates in the decision on hiring external auditors. The committee has three members.



Ramiro Mendoza

Chair
Since 2020



Anthony Dawes

Since 2017



Ricardo Budinich

Since 2018

What you should know about the ACC

1. The Committee has broad authority to communicate directly with the Bank's management team and request any information or other materials necessary to carry out its functions.
2. Since its establishment in 2007, the Committee has been made up of leading professionals in the finance, accounting, and legal fields.

ITC 2022

The Committee's primary functions include participating in the definition of guidelines for IT strategic planning, validating new projects, anticipating IT-related risks, and performing the cost-benefit analysis of IT initiatives. In 2022, the ITC was made up of three IT experts.

José Benguria
Since 2019

Gonzalo Acuña
Chair
Since 2018

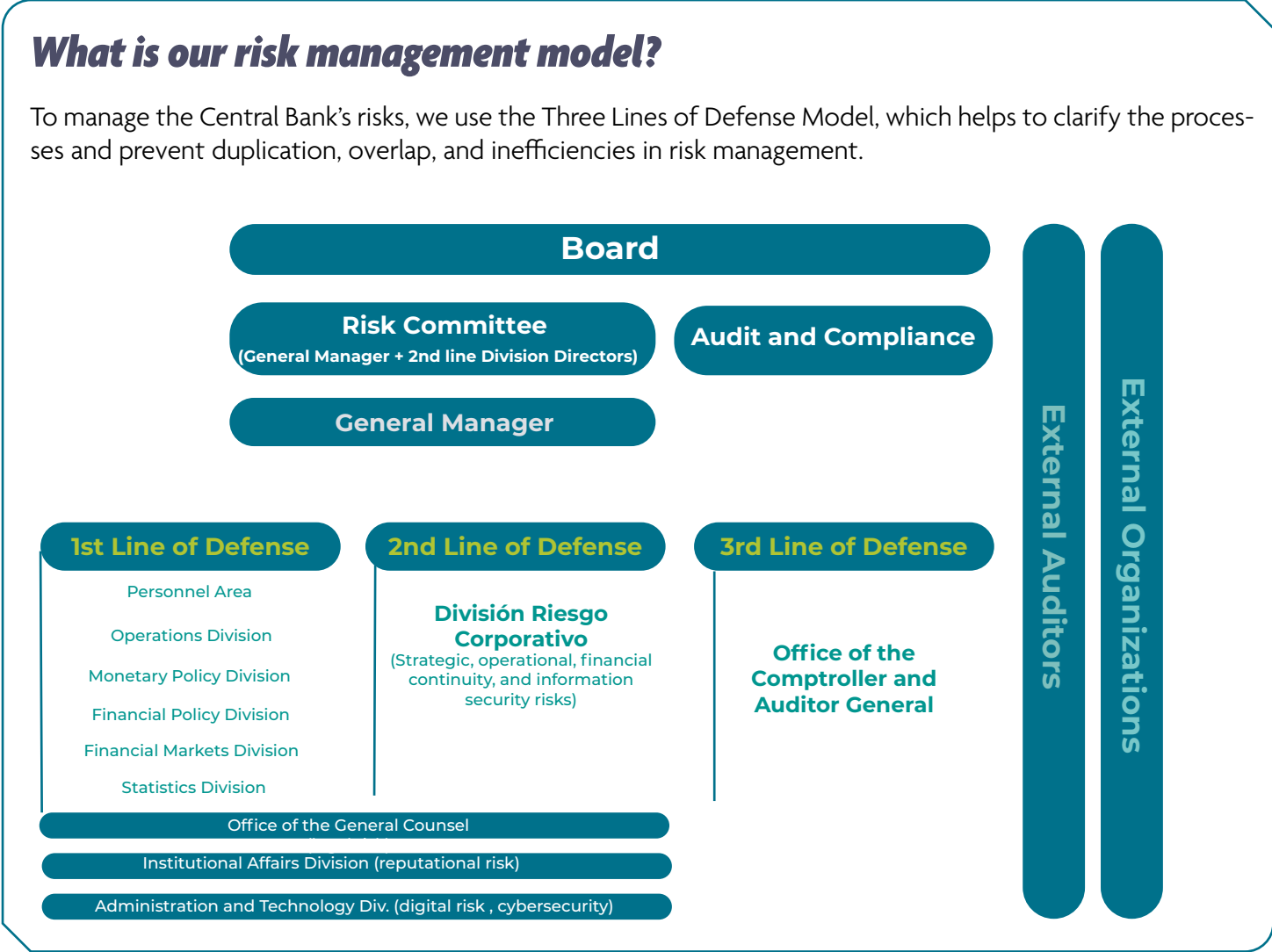
Alejandro Hevia
Since 2017



2.4 Risk Management

The effective discharge of our constitutional mandate requires a series of procedures that guide and support the actions we perform. One of these is the adoption of all the necessary safeguards to ensure that the multiple risks that can affect our institution are taken into account.

Since 2021, we have a Corporate Risk Division, whose objective is to support the Bank in the identification of strategic and financial risks. This includes the use of identification and analysis methods, as well as the monitoring and evaluation of risk mitigation processes.



9 risk management milestones in 2022

01

Strengthening of governance

Development and improvement of the standards and policies of the Second Line of Defense, in order to strengthen risk management in the current models and prepare the institution for a resilient approach.

02

Risk culture

Development of a broad-based plan for improving the risk culture and awareness in the Bank, with the goal of strengthening knowledge, adherence, and the development of good risk practices throughout the institution.

03

Information security management

Transfer of information security from the Administration and Technology Division to the Corporate Risk Division, together with the incorporation of an Information Security Officer in the Second Line of Defense.

04

Development of risk management indicators

Strengthening of the management of key risk indicators (KRIs) at the organizational and strategic level, improving decisionmaking from measurement. Methodologies were incorporated for evaluating the design of key controls, for high-impact risks.

05

Resilience

Incorporation of best practices in the Business Continuity and Operational Risk Management Model, in order to strengthen organizational resilience in the Bank's critical processes.

06

Collaboration

Participation and leadership by the Bank in various international cooperation bodies related to risk management in central banks.

07

Redistribution of roles and responsibilities for financial risk

Transfer of the delegated responsibility for financial risk from the Financial Markets Division to the Corporate Risk Division through the Investment Policy.

08

Creation of the Financial and Nonfinancial Risk Committee

Separation of the Risk Committee into the Financial Risk Committee and the Nonfinancial Risk Committee, to improve risk management through a more focused approach and to make better use of the committee members' expertise.

09

Strengthening of financial controls

Creation of the national financial compliance report, based on the Compendium of Financial Regulations and unconventional measures. Modernization of the international financial compliance report through the use of dynamic reporting tools and integration with the Bank's reserve management system.

International participation

In 2022, the Central Bank was an active participant in various international bodies dedicated to sharing good practices in risk management in institutions such as ours.

1. We strengthened our collaboration on central banking in the Americas through participation in the Consultative Group on Risk Management (CGRM), which is currently led by the Bank for International Settlement (BIS). In particular, we spearheaded an initiative on the analysis of digital currency risk management in central banking.
2. We joined the organizing committee for the annual Meeting of Heads of Financial Risk Management in Central Banks, run by the Center for Latin American Monetary Studies (CEMLA).
3. Together with the Central Bank of Canada, we led the expert group on Risk Appetite and Culture and Key Risk Indicators (KRI) in central banking for the International Operational Risk Working Group (IORWG).



ESG Impacts

GRI 2-25

In line with our corporate risk management, we are aware of the impacts that our organization has on our surroundings, as well as the impacts of our surroundings on the Central Bank. These essentially have to do with environmental, social, and governance (ESG) challenges, which are already incorporated in the issues managed by the institution.

These risks are directly linked to operations, legal compliance, digital technology, and the performance of the Bank's strategic functions that affect Chilean society.

In our 2022 annual assessment, the risks were identified and weighted according to the guidelines established in the integrated and strategic risk management methodologies, based on the ISO 31000 standard for risk management systems. The priority issues, which are constantly monitored, include the following:



- Climate change and its impact on finance and statistics.



- Working conditions of Central Bank employees.
- Third-party risks and undesired impacts in the value chain, for example, in suppliers.
- High-impact risks (reputational and/or equity) associated with the nature of strategic projects.



- Illegal or unethical behavior.

Emerging risks

In our integrated risk management system, we also identify emerging risks, defined as high-impact risks for which the probability of materialization is showing an upward trend or a possible increase in the future.

We define and evaluate the different risk categories (strategic, financial, operational, legal, digital, and reputational) and monitor the risks using tools such as media analysis, surveys, analysis of publications and reports from national and international benchmark institutions, etc. Another source is our participation in international organizations.

The main emerging risks in the period are related to global disruptions in supply chains caused by third parties; crises deriving from digital threats with a large impact on information and infrastructure (for example, cyberattacks); climate risk (new natural disaster scenarios); risks associated with cryptoassets; and talent risk.

2.5 Transparency, Ethics, and Information Security

Material topic

GRI 3-3, 2-27



Description	Policies and guidelines	Objective
<p>Public institutions play a fundamental role in promoting ethical action and close compliance with current regulations, in a context marked by a deterioration of social trust and well-known cases of corruption or lack of probity.</p>	<ul style="list-style-type: none"> • Constitution of Chile. • Basic Constitutional Act. • Law N° 20,285 on access to public information. • Law N° 20,730 on lobbying and the management of special interests. • Law N° 19,653 on administrative probity. • Law N° 20,880 on probity in public administration and the prevention of conflicts of interest. • The Central Bank's Transparency Policy. • Standard of conduct, integrity, and values of the Central Bank of Chile. • Information Security, Risk, and Business Continuity Management System. 	<p>Achieve the Central Bank's vision in terms of reliability and excellence.</p> <p>Advances and actions</p> <ul style="list-style-type: none"> • Issues related to ethics, probity, and information security included in the induction process. • Communication and transparency platforms. • Functioning of the Ethics and Conduct Committee. • Training on ethics and information security. • Cybersecurity exercises
<p>Impacts</p> <p>There are many challenges with respect to transparency and the performance of the public service role, since in this area there are impacts both on the surrounding environment and on the organization itself. Moreover, the responsibility for making decisions on Chile's monetary policy or providing statistical data that, in turn, affects people's day-to-day economic decisionmaking, implies collecting, using, and diffusing information that is crucial for the country. We therefore exercise the maximum integrity and responsibility in data processing.</p>		

Guiding principles

Beyond the legal framework, we endeavor that the internal culture be reflected in our work and management, because we aspire for each person who works at the Central Bank to give their best to achieve our objectives and aspirations, to the benefit of the country.

The 2023–2027 Strategic Planning Process reviewed the Bank's mission, vision, and institutional values.

On joining the institution, all our personnel must recognize, learn, and apply our values. This also translates into the use of tools for managing the issues of information transparency, access to public information and data, the management of lobbying, the ethical use of the data to which we have access, and space for inquiries from the public.

Mission

To control inflation and safeguard financial stability, thereby contributing to the well-being of society and the development of the country.

Vision

To be a trustworthy technical public institution, with standards of excellence in fulfilling its mandate and achieving its objectives.

Commitment

We have a commitment to Chile and its people and to the people who make up our team, all of whom accomplish an important mission for the country.



Excellence

We work with excellence, promoting teamwork, constantly improving our processes, and incorporating innovation to adapt to the new challenges.



Values

Integrity and Transparency

We act with honesty, honor, integrity, and transparency in performing our function for the country.



Respect and Diversity

Respect is essential to our actions, with a broad and inclusive perspective. We respect all people and value diversity and our surroundings.



Communication and transparency platforms

GRI 2-26

People can submit questions or requests to the Central Bank through [Central Contact](#), a digital channel available for receiving information requests, suggestions, and complaints. There is also a complementary channel associated with the [Transparency Law](#), for quickly responding to matters of interest.

What you should know about transparency and probity at the CBC

Our website www.bcentral.cl contains all the information on:

1. Active transparency

This section of the website has all the updated documents on our internal functioning, in compliance with Article 7 of Law N°20,285 on access to public information (Transparency Law).

2. Access to information

Here, you can access the data on how to enforce the Transparency, which recognizes the individual right to access the public information of the Central Bank of Chile. Our Board approved a

Procedure for Handling Information Access Requests, in accordance with the stipulations of Article 65 bis of the Basic Constitutional Act, whose content is available on this site. You can also find the link to the information request [form](#).

3. Lobbying Law

This section contains all the updated information on the use of Law N°20,730 which regulates the management of special interests for authorities and government officials, and the Regulations

on maintaining a record of the Central Bank's public agenda, lobbyists, and special interest groups.

4. Declaration of interest and equity

This section contains information on the interest and equity of the Board and the General Manager of the CBC, as stipulated in Law N° 20,880 on Probity in public administration and the prevention of conflicts of interest for independent bodies. Every year, authorities must make this public declaration.

5. Good practices

This section contains the Board Members' weekly agenda of meetings and public activities, the full record of Monetary Policy Meetings (with a ten-year lag), and the digital repository of historical records of Central Bank Board.

[Learn more](#)

What is the Transparency Policy?

In 2021 we published our Transparency Policy, which summarizes the different mechanisms through which we report to the country's citizens on the performance of our mandate, including both mechanisms that are established by law and those that we have adopted voluntarily, in line with international best practices in this area. The content of the policy is also incorporated in other documents, such as our Communications Policy, with regard to meetings with market actors involving issues related to the economic outlook.

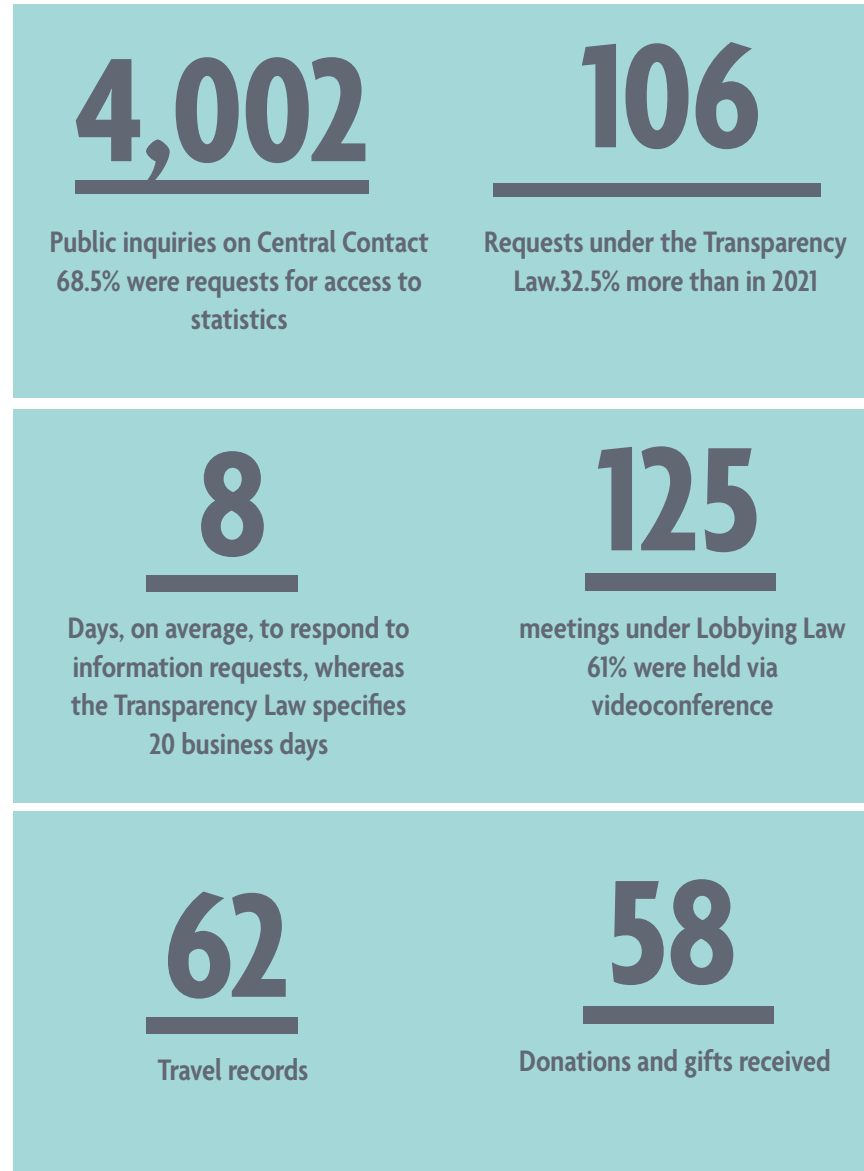
The preparation of these guidelines took into account the Central Bank Transparency Code published by the International Monetary Fund (IMF).

[Learn more](#)

In 2022, in accordance with our voluntary diffusion policy, the Central Bank Board published the full record of the Monetary Policy Meetings held in 2011 and the full Board records from 1984 to 1989. The objective is to strengthen institutional transparency and accountability, and to contribute to the country's economic history and the general understanding of the Bank's work.



Transparency and probity in numbers



The list of Bank officials subject to the Lobbying Law, including their full names and positions, is available on our institutional website, together with the legally required public records. Additionally, the public records are also available on the Transparency Board's Infolobby website.

Compliance

GRI 2-27

At the BC we ensure compliance with all the legislation and regulations that govern our institution. In 2022 there were no cases of noncompliance or fines associated with significant cases of noncompliance with the legislation and regulations.

Ethics in the Central Bank of Chile

GRI 2-15, 2-26

As an institution, we promote not only compliance with the law, but also ethical action by the Board, the division directors, and all the areas that are a fundamental part of our institutional culture. This means that we are ever vigilant and continuously monitor potentially critical situations through mechanisms such as the Ethics and Conduct Committee.

This committee acts as an advisor to the Board and Senior Management on the promotion of the Personnel Regulations and the Code of Conduct, Probity, and Values and on ensuring the observance thereof by the Bank's staff.

2022 Ethics and Conduct Committee

Beltrán de Ramón
General Manager

Juan Pablo Araya
General Counsel

Silvia Quintard
Comptroller

Diego Ballivián
Corporate Risk Division
Director

Marcela Pumarino
Personnel Manager

In addition to overseeing observance of these policies, the Committee periodically reviews the Personnel Regulations and, if deemed necessary, submits proposals to the Board on changes to perfect the internal rules governing our official conduct, integrity, and institutional values. The committee also recommends plans for diffusing ethical culture and compliance with the established norms.

The Bank's two ethics tools

Personnel Regulations

This document lists the obligations, prohibitions, disqualifications, incompatibilities, and other conflicts of interest, applicable to our entire staff.

Code of Conduct, Probity, and Values

The Code defines the standards of behavior that must be met by Bank functionaries to ensure that their conduct is in line with institutional principles and the Personnel Regulations.

Declaration of interests and equity

Certain Central Bank authorities are required to submit a declaration of interests and equity on assuming their position, which must be updated annually (in March) and can also be updated voluntarily as needed, and also on the termination of their functions (30 days after departure).

Ethics training and monitoring

GRI 205-2

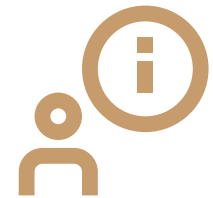
All the documents that safeguard ethics and legal compliance are socialized, first in our inductions and then through training and informative or preventive talk series. In the case of managers, the Leadership Academy includes a specific module on ethical conduct and the analysis of ethical dilemmas.

Reporting channels

GRI 2-16

For anyone who is investigating or has doubts or complaints on ethical issues, there are channels for employees, dealers, and suppliers. All the channels ensure the confidentiality of the person providing reliable information, which must be subject to verification.

In addition, the Ethics Committee, its secretary, the person in charge of the reporting channel, all managers, and the Personnel Area are always available to receive concerns or requests.



Bank personnel

- Reporting channel available through the Bank's intranet.
- In writing, directly to the divisional director or to his or her superior.



Suppliers

- Reporting channel for dealers and suppliers.



Information security

Given the intensive use of information and data necessary for the adequate performance and fulfillment of the Bank's objectives, information security is critical for the institution. This translates into maintaining high standards in all areas of security that contribute to protecting information, including physical security, information technology (IT) security, cybersecurity, and third-party risks. In this regard, people play a crucial role in terms of regulatory compliance and adherence to the established control environments.

This issue is a top priority for our organization, because the risks in this area imply negative consequences for the country's economy and banking system. Thus, we endeavor to establish internal

order through the Information Security, Risk, and Business Continuity Management System.

In 2022, we implemented a series of projects that reduce exposure to this risk, including new controls, updated solutions, the integration of a new system of advanced monitoring, alert management, and cybersecurity incident response.

We also continued to work hard on user awareness and education in cybersecurity, incorporating sophisticated phishing exercises and emphasizing the consequences of incidents involving social engineering and fraud attempts.

What is the Central Bank's Information Security System?

It is a means of protecting people, preserving the confidentiality, integrity, and availability of our information and the value of assets, and ensuring operational continuity in the delivery of the services we provide. It works under the following principles:

- 1.** Security is the job of everyone in the organization, so everyone must be vigilant and contribute to protecting the environment by following the established guidelines and controls.
- 2.** The Bank will provide a workplace that meets basic security and risk prevention conditions.
- 3.** Information must be adequately protected, in accordance with its sensitivity, against misuse, damage, modification, theft, and/or loss.

4. The Bank's physical assets, negotiable securities, and other assets are part of the institutional equity that we must preserve, and they must therefore be protected and safeguarded.

5. People who infringe the security provisions will be sanctioned according to the seriousness of the offences, as described in the Personnel Regulations.

6. The Bank trains its employees on these issues, and management provides the necessary resources for improving performance on the health and safety of the people who work at the institution, as well as on information and asset security.

7. The Bank is committed to complying with all current laws and regulations applicable to its operations.

Based on this system, we adopt the ISO 27001 standard for Information Security.



Incident in 2022

In 2022, our institution was the victim of identity theft, which affected one of our international consultants. In May, we were informed that a payment for services rendered the previous year, for USD 205,000, had not been received.

In response, we reported the incident to the Public Prosecutor's Office, reviewed our processes and the Bank's IT security systems, and adopted measures for avoiding economic damages.

T E S T I M O N I A L S

I was working at the Claudio Matte School in Viña del Mar, in 2019, when I learned about the Central Bank's "Central in Your Life" website and the "Economics Up Close" contest. I put together the first financial literacy workshop in my career, with four students. We participated, but we didn't make it to the final round.

During the pandemic, I came to live in Vilcún and started working at the Liceo Bicentenario Padre Nicolás, a school that serves nearly 500 students. A lot of them come from rural areas, and many are from Mapuche families. We have a large share of vulnerable families.

In 2020, we did the first financial literacy workshop in the school. All the material that the Bank provides on its "Central in Your Life" website was fundamental for teaching financial concepts and putting them into practice. The whole process was online due to the pandemic, and we made it to the semifinals, but we didn't win.

We live out in the country, where there isn't a strong Internet connection, but we made an effort, and in 2021 we had our first big moment. We put together another workshop at the school, where we reviewed a wide range of topics like personal finance and digital payments. We could use tools to simulate inflation and design a banknote and the information on price stability.

All these issues affect my high school students. The year we were coming out of the pandemic, we won first place with a video explaining the importance of the availability of cash.

Since we enjoyed it so much, we participated again in 2022, and my student Betania managed to win with the topic of digital payments. We were able to show the people of Vilcún that there's intellectual and creative talent here.

I think that the Bank's role as an institution is fundamental. I thought it was a really distant organization, but it's not. We need to humanize math and the economy, and we need more financial education, and that's where the Central Bank is key, because it has tools that teachers can use to teach something that seems boring in an entertaining way.

Felipe Rivera, age 31.
Mathematics teacher and financial literacy workshops,
Liceo Bicentenario Padre Nicolás.
Vilcún, Araucanía Region



“We need more financial education in schools, and the Central Bank is key.”



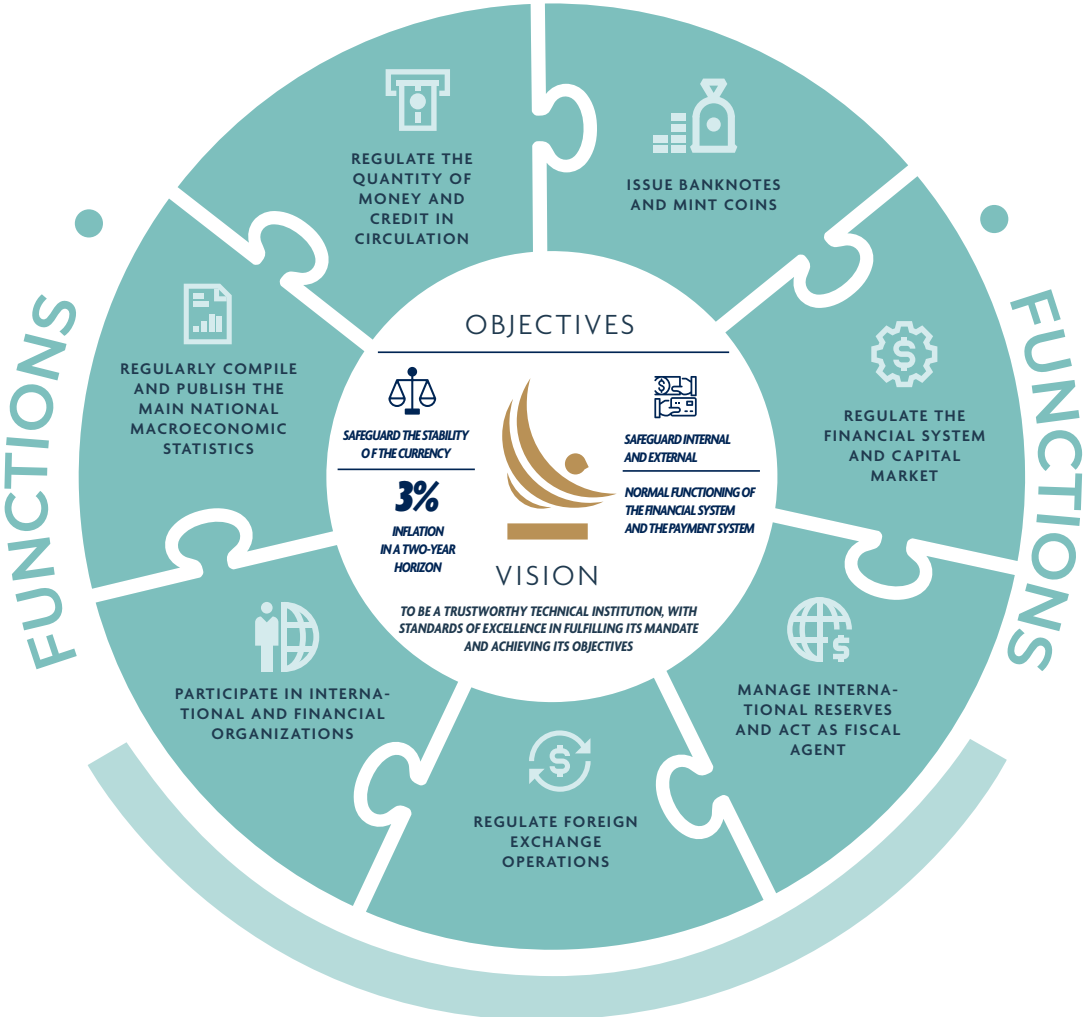
03. The Central Bank of Chile

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3.1 Mandate and Laws

We are the Central Bank of Chile, an autonomous technical institution that was created in 1925. We are governed by Law N° 18,840 of 1989, a constitutional regulation that establishes our mandate to safeguard the stability of the currency—which implies keeping inflation under control—and the normal functioning of internal and external payments, thereby contributing to the stability of the financial system.

To achieve this, we have an organizational structure underpinned by a high-level team of professional, technical, and administrative staff in different areas, led by the Central Bank Board and managed by the senior management team, division directors, area managers, department heads, and all the professional and administrative personnel who make up the different areas.



Our functions include the periodic delivery of statistical information on the national accounts and the balance of payments; the issue of banknotes and coins; the administration of international reserves; the review and the issue of operating rules for the financial system and capital market; the regulation of foreign currency operations, and the diffusion of macroeconomic and financial scenarios to provide a reliable forecasting context for economic decisionmaking.

The legal and regulatory environment in which we operate



To achieve our organizational mandate and objectives, we are governed by a series of laws, regulations, and procedures:

- The Constitution of Chile (Chapters I and XIII).
- Basic Constitutional Act (BCA) (First Article of Law N° 18,840).
- Law N° 20,880 on Law on Probity in Public Administration and the Prevention of Conflicts of Interest
- Transparency Law (Law N° 20,285).
- Lobbying Law (Law N° 20,730).
- Law N° 21,265, which regulates the Central Bank's authority to buy and sell in the secondary market.
- Constitutional Reform Law N° 21,253, which authorizes the Central Bank to buy and sell on the open (secondary) market.
- Regulations on maintaining a record of the Central Bank's public agenda, lobbyists, and special interest groups.
- Internal Rules of the Board.
- Personnel regulations.

Note: Both Law No. 21,265 and No. 21,253 modify articles 109 of the Political Constitution and 27 of the Constitutional Organic Law.

The Bank's role in the discussion of a new Constitution

Prior to Chile's Constitutional Plebiscite in 2022, the Central Bank was summoned on different occasions to present background information to the Constitutional Convention, which was debating the text that would be submitted to voters for approval in September.

As is well known, the Constitution was rejected by 61.86% of the voters, versus 34.14% who approved, according to official data from the Chilean Electoral Service (Servel). Thus, the Convention's proposals regarding the Central Bank were not implemented.

In the presentation of the Monetary Policy Report (IPoM) to the Senate on 7 September, our Governor Rosanna Costa expressed the Board's appreciation of the extensive recognition of the Bank's independence and its essentially technical nature. She further observed that the plebiscite did not represent the end of the debate on Chile's institutional framework.

As she stated at the time, the new process launched this year reflects "the need to continue the efforts to construct a text that aligns with the will of the vast majority of the people."

3.2 The Bank's Work

The structure of our institution is essential for achieving our strategic objectives, which are in line with our constitutional mandate.

Monetary Policy Division

The Monetary Policy Division advises the Board and other areas of the Bank on all macroeconomic issues, including the analysis and forecasting of economic activity; the country's monetary, credit, financial, and fiscal position; and the main international trends. It is also in charge of evaluating monetary policy and considering alternative courses of action. Additionally, it conducts research on economic, monetary, and foreign exchange issues relevant to the Chilean economy, as well as on the international economy and its impact in Chile.

Financial Policy Division

The Financial Policy Division advises the Board on the analysis and monitoring of the financial system for the tracking, prioritization, and assessment of significant risks to financial stability. It also contributes to the formulation and evaluation of policies and regulations, both for the implementation of measures by the Bank and for contribution on other initiatives that promote the efficient functioning of the national financial system and capital market. To perform its functions, this Division coordinates with other public institutions, in a framework of joint responsibility for safeguarding financial stability. Thus, the Central Bank interacts with private entities and trade unions and participates in international forums, such as international and national technical committees that address issues related to financial institutions and financial stability issues.

Financial Markets Division

The Financial Markets Division is in charge of implementing monetary and financial policy and conducting financial operations to ensure the achievement of the Bank's objectives. It also continuously monitors the local and international financial markets in terms of asset price dynamics, economic agents' expectations, and other variables of interest in order to keep the Board informed. It proposes policies, such as foreign exchange and international reserve policies, manages the international reserves, and manages the payment systems, including the Real Time Gross Settlement (RTGS) system, which is the primary large-value payment system in the country. Additionally, it is the Division in charge of carrying out the Bank's fiscal agency role: under instructions from the Finance Ministry, it places debt securities in the local market and manages part of the sovereign wealth funds (the Economic and Social Stabilization Fund and the Pension Reserve Fund).

Operations Division

Division is to generate confidence and security in the physical means of payment, through the timely supply of banknotes and coins, in coordination with actors in the cash flow cycle. The Division ensures the continuity of the cash cycle through world-class processes and infrastructure, in line with the standards of the major countries globally. It is also responsible for applying the physical and logistic security policies of the Central Bank of Chile, with a focus on people, information, assets, and operational continuity. Additionally, it is in charge of directing and implementing a sustainable management strategy for the Central Bank building and the services that are performed therein, so as to guarantee the operational continuity of the Bank and the preservation of the environment.

Administration and Technology Division

The Administration and Technology Division is in charge of the strategic planning and management control process, as well as other administrative tasks that support all the different units across the Bank, such as accounting, project management, procurement processes, and operational risk management. This Division is also responsible for proposing and implementing technology objectives, strategies, and policies, including the information systems, technology infrastructure, and cybersecurity.

Institutional Affairs Division

The Institutional Affairs Division designs, implements, and manages the Bank's communication and stakeholder relations strategy, through the implementation of a set of actions that, with the use of different platforms and tools, facilitate understanding of the institution's work and strengthen the positioning defined by its authorities. The objective is to align the corporate discourse with the Bank's meaning and purpose, managing the internal and external communication processes to strengthen the corporate image and reputation; orient actions to be in line with sustainability principles; and promote the commitment of each and every employee with the Bank's mission.

Statistics Division

The Statistics Division compiles and regularly publishes the main national macroeconomic statistics, including monetary, foreign exchange, and balance-of-payments statistics, the national accounts, and other global economic and social accounting systems. We process daily, weekly, quarterly, annual statistics, such as indexation calculations (e.g., the *unidad de fomento* and the observed dollar exchange rate), foreign exchange market statistics, interest rates, monetary aggregates, international reserves, securities market data, external debt, etc. Every month, we publish the Monthly Economic Activity Indicator (IMACEC). Quarterly, we publish the national accounts, which reflect the evolution of gross domestic product (GDP); the balance of payments; and the national accounts by institutional sector. We also undertake and coordinate statistical research and analysis, always incorporating the highest international standards.

Corporate Risk Division

The Corporate Risk Division is in charge of the integrated management of all the risk categories affecting our institution. Its primary duty is to ensure the consistency and effectiveness of the governance framework for the strategic, operational, financial, legal, digital, and reputational risks faced by the Bank; and to establish and coordinate formal mechanisms for the periodic review of the risk policies and methodologies at the level of the Board and General Manager. The Division also supports and supervises the effective application of the risk management vision and methodologies throughout the organization, so as to contribute to the identification and dynamic management of the most significant risks, both internally and externally, and to integrate them into a corporate risk agenda.

3.2 Value Creation Model

GRI 2-6






INPUTS


- Financial capital**
US \$44,285.9 billion CB debt
US \$39,154.1 billion international reserves
- Manufactured capital**
4 buildings
372 million banknotes
423 million coins
- Intellectual capital**
Technology Observatory
22.3% have a masters
6.7% have a Ph.D.
- Human capital**
708 staff members
34% women
381 external staff
- Natural capital**
15,061 GJ of electricity
Energy efficiency measures
Waste management
Carbon footprint calculation
- Social capital**
851 suppliers
Institutional building and Numismatic Museum (1,700 pieces)
Art collection of over 300 paintings

Mission: To control inflation and safeguard financial stability, thereby contributing to the well-being of society and the development of the country.

Vision: To be a trustworthy technical public institution, with standards of excellence in fulfilling its mandate and achieving its objectives.

MANDATE

-  **Monetary policy**
-  **Financial Policy**
-  **Compilation, Production, and Publication of Macroeconomic Statistics**
-  **Cash Management**
-  **International Reserve Management**



INFLATION — 3% Central Bank target — 12,8 in December

Corporate governance

- Board
- Senior Management
- Audit and Compliance Committee (ACC)
- Information Technology Committee (ITC)
- Division and Area Management

Institutional and Strategic Guidelines

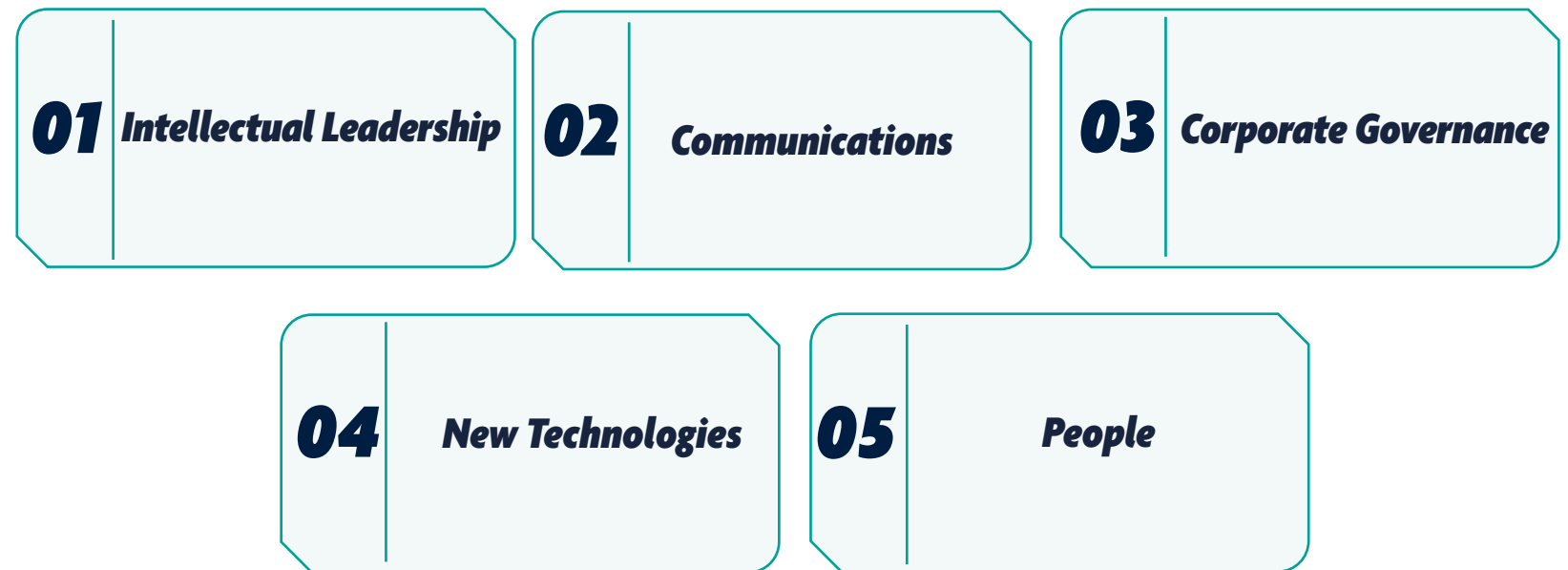
- Basic Constitutional Act
- Risk Management
- Communication and Transparency
- 2023–2027 Strategic Plan
- Sustainability Policy

OUTPUTS

- Financial capital**
US \$3,422.5 billion income
US \$39,154.1 billion international reserves
- Manufactured capital**
37 millones banknotes in circulation
318 millones coins in circulation
- Intellectual capital**
XXV Annual Conference of the CB
10 academic publications
13 working papers
4 Monetary Policy Reports
2 Financial Stability Reports
8 Monetary Policy Meetings
- Human capital**
2° Great Place to Work Women, medium-sized companies
82% workplace climate score
47 annual training hours per person
- Natural capital**
560 tons of waste
3,045 tons CO₂e
20% renewable energy
36.28 tons of co-processed polymer banknotes
- Social capital**
11 presentations to Congress
118,409 website users
41,606 Central in Your Life users
1,95 visits on Heritage Day

3.4 2018–2022 Strategic Plan

The 2018–2022 Strategic Plan oriented the Bank's efforts and resources with the prioritization of issues aligned around five pillars, with their respective initiatives, lines of action, point people, and timelines.



This plan was prepared during the Governorship of Mario Marcel and, in the final phase, was led by Rosanna Costa, underpinned by the effort and commitment of all the members of the organization.

[Learn more](#)

2023–2027 Strategic Plan

In 2022, the 2023–2027 Strategic Plan was developed through a highly participative, co-creation process, in which we opened the doors for every member of the institution, as well as key public actors with whom we have ties—including in the different regions of the country—to be able to contribute to the formulation of the priorities and initiatives.

In eight in-house workshops (four in-person and four remote), a total of 232 Bank employees from different areas and positions participated in discussion groups to review the mission, vision, and institutional values; deepen the sustainability strategy; and analyze the challenges of the digital transformation.

The biggest challenge in the grounding and prioritization phase was to give expression to all those contributions in the construction of the new Strategic Plan, which allows us to operate with flexibility and resilience and with a clear orientation in line with the social context and citizen expectations.

The 2023–2027 Strategic Plan revised the Bank's mission, adapting the objectives established in the Basic Constitutional Act to a more direct language, and condensed the institutional values down to four: our commitment to Chile and its people;

excellence through teamwork; probity and transparency, which must govern our daily activities; and the necessary respect in our actions, with a broad and inclusive perspective.

The Plan also established the objectives for the period, the strategic priorities, and the initiatives for implementing the plan over the course of the next five years.

22
*workshops with
Division and Area
managers*

8
*workshops in
regions*

10
*workshops to
identify priorities
and initiatives*



3.5 Sustainability

GRI 2-23, 2-24

The Central Bank has had a Sustainability Policy in place since 2020. The policy objectives are as follows:

- Provide key information for economic and financial decisionmaking that has a social and environmental impact.
- Establish a culture of sustainability in the Bank.

Additionally, the policy has four dimensions for addressing our challenges in this area:

- Adaptation to climate change.
- Civic financial responsibility.
- Environmental impact mitigation.
- Fostering agents of change.

The first two are oriented to actions that have an impact on the country, while the latter two address our internal management.

The precise definition of the Bank's commitments and policies in the area of sustainability is an issue under review for our new sustainability strategy, which will be updated in 2023.



Sustainability governance

The implementation of our Sustainability Strategy is led by the General Manager, who reports on progress to the Board. The different divisions are in charge of specific issues

Adaptation to social and environmental variables

- Monetary Policy Division
- Financial Policy Division
- Statistics Division

Civic financial responsibility

- Institutional Affairs Division
- Financial Policy Division

Environmental impact mitigation

- Operations Division

Agents of change

- Personnel Area

Sustainability Policy

INTERNAL IMPACT



Environmental impact mitigation

We can make a positive contribution to the planet by strengthening the mitigation of the operation's environmental impacts.

- Energy efficiency.
- Reduction of our carbon footprint.
- Reduction and reuse of waste.
- Reduction of purchased materials.
- Take charge of the impacts of cash.
- Encourage suppliers to adopt sustainability principles.



Agents of change

Incorporating a long-term vision in our organization requires leaders who drive the transformation, starting with new daily routines.

- Create the conditions for teamwork and for contributing to the well-being of our employees and their families.
- Work to raise sustainability awareness.
- Generate the conditions for an inclusive and diverse work environment.

COUNTRY IMPACT



Civic financial responsibility

Having information on the economic behavior of institutions, companies, and people allows us to support the generation of knowledge for better decisionmaking in terms of financial inclusion and literacy.

- Provide information for a better assessment of the household financial situation and contribute to the design of financial inclusion policies (protection, access, and education).
- Promote financial education in coordination with other institutions.
- Promote the development of electronic retail payment means.



Adaptation to social and environmental variables

We are inserted in an international context where social and environmental variables affect the global economy. The risks associated with these variables are relevant for meeting our strategic objectives and for monetary and financial policy decisions.

- Study the effects of social and environmental variables through constant monitoring of financial risks.
- Provide statistics that relate economic activity to various social and environmental dimensions, for internal and external analysis (general public).
- Study the macroeconomic effects of social and environmental variables to the extent that they contribute to meeting our institutional objectives of safeguarding the stability of the currency and the normal functioning of the payment systems.

T E S T I M O N I A L S

My days are spent on the streets of central Santiago. Between offices, banks, and public services. After spending years in sports journalism and the media world, I started moving in other areas, and I found this job, which keeps me active now.

I provide support services for a number of offices, businesses, and companies, such as courier services, running errands, doing small jobs in house—sort of a guy Friday. That’s how I got to know the Central Bank.

Before, I used to get change at the BancoEstado, but when there was a shortage during the pandemic, I went to the Central Bank to see if they had any coins available, and they didn’t let me down. I go there all the time now, and, though it sounds like a rhyme, making change there has changed my life.

Since I have offices that handle petty cash and need small bills and coins, as well as some of the parking garages in the center, I run out of \$1,000 and \$2,000 bills pretty fast.

The people at the Bank are great. You just have to call to make an appointment, and the next day I make a quick stop to get my change. If it weren’t for them, I would probably have to waste a lot of time and effort trying to get the most common coins, which are the scarcest. Their bill-changing service helps facilitate my daily work.

Since I started going to the Bank, and since I used to be a reporter, I started researching the institution a little more. I always thought they were only dedicated to controlling inflation and providing statistics on that. But now I know they do a lot more.

Daniel Mardones, age 66.
Office assistant and courier.
Santiago, Metropolitan Region.



“Their change-making service supports my daily work.”



04. National Impact

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4.1 Monetary Policy in 2022

In 2022, the Chilean economy was marked by high inflation, which spiked higher than projected at the start of the year. Annual CPI inflation ended the year at 12.8%, just under the peak of 14.1% recorded in August 2022. Inflation had already started to rise in 2021, driven by the excessive growth of domestic spending. This was exacerbated by the pandemic's impact on global distribution chains and the cost of transport and by a global cost shock following the start of the war in Ukraine.

Inflation began to ease slightly in the final months of 2022. A key factor underlying this trend was the adjustment process that is underway in the local economy following the aforementioned spending

boom. Nevertheless, core inflation remains high, such that the adjustment will continue in 2023.

In addition to solving the inflation problem, the economic adjustment is a necessary condition for correcting other imbalances that have built up in the local economy, such as the high current account deficit. To a large extent, this reflects lower national saving, related to the household support measures implemented during the pandemic. Data at year-end 2022 show that the current account deficit is already shrinking.

The Bank's monetary policy has made a significant contribution to the economy's adjustment and the reduction of inflationary pressures, while establishing a better position for facing the correction of the current macroeconomic imbalances. The Bank acted quickly, implementing an aggressive cycle of raising the monetary policy rate (MPR), starting in July 2021. This continued through October 2022, adding 850 basis points (bp) in 2022 on top of the 225 bp from 2021 and reaching a peak of 11.25%, far above the neutral rate.

Given the origins of the inflation increase in Chile, which was largely related to local

factors, the timing of the Bank's actions was different from other monetary authorities. In particular, the adjustments began sooner than in the main economies, where in many cases the rate-hike cycle is still underway.

The Board has signaled that convergence to the 3% target is still subject to risks, and the MPR will remain at 11.25% until the state of the macroeconomy indicates that the process has been consolidated.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Inflation	7.7	7.8	9.4	10.5	11.5	12.5	13.1	14.1	13.7	12.8	13.3	12.8
MPR	5.50	5.50	7.00	7.00	8.25	9.00	9.75	9.75	10.75	11.25	11.25	11.25

4.2 Financial Policy

The Central Bank has financial policy tools that it applies to preserve the stability of the system.

Preserving the stability of the financial system is directly related to the normal functioning of internal and external payments, which is one of the mandates established in the Central Bank's Basic Constitutional Act.

The financial sector plays a fundamental role in the economy, because it contributes to the country's well-being and development through an efficient allocation of resources between savers and those who need financing. A key factor for its functioning is trust.

It is therefore essential for the Bank to have financial policy tools and to apply them appropriately to preserve the stability of the system.

In this area, 2022 was especially challenging for the Bank because, at the international level, there was a deterioration in external financial conditions and the growth outlook, together with an increase in recession

risk. Domestically, the macroeconomic imbalances that had accumulated in 2021, the heightened uncertainty, and a shallower capital market could affect the economy's capacity to absorb future shocks. There was also evidence of some pockets of vulnerability to adverse economic scenarios, although no systemic vulnerability had been identified. The banking sector was resilient, despite facing its own challenges from the worsening economic scenario and deteriorated financial conditions. The Financial Stability Reports showed that in the stress tests, the banks remained solvent, with adequate liquidity to face the materialization of severe stress scenarios.

In the framework of the new Basel III capital standards for banks, the Bank held the first Financial Policy Meetings (FPM), in which the Board meets twice a year to review the possibility of activating the countercyclical capital requirement (see box).

At the May and November FPMs, the

Central Bank Board voted not to activate the countercyclical capital requirement given that, despite specific vulnerabilities in some sectors and a more complex international environment, the systemic risk analysis showed that the banking sector had an adequate buffer for facing severe stress scenarios.

In terms of financial regulation, the regulation on banks' liquidity management, issued in 2021, was activated in March. The Bank also continued its support and coordination with the Financial Market Commission (FMC) on the adaptation of other standards issued by that institution with a prior favorable report by the CBC, to bring them in line with the Basel III standards, such as the definition of additional capital charges for systemic banks.

In June, a new savings account regulation was issued, to facilitate accessibility through remote account opening; increase the flexibility of the financial conditions for

these accounts; and promote greater transparency in the information provided to users.

In the year, progress was made on strengthening financial infrastructures for both large-value and retail payments. Thus, in January, a new regulation was issued for the creation and operation of low-value payment clearing houses (LVCH) to contribute to the objective of having efficient, secure electronic payments and moving in the direction of instant payments. With regard to large-value payments, in the year we carried out an intense implementation process that culminated, in July, with the approval of the Operating Rules for the Large-Value Clearing House in National Currency. Also in July, we published the first Central Bank de Chile Payment Systems Report, to communicate to the general public our assessment of the functioning of payments and financial market infrastructures, as well as current trends and the future outlook

The report is expected to be published annually, thereby establishing a new and valuable channel for communicating with the general public and the industry.

In August, the requirements for accessing the Formal Exchange Market (FEM) were loosened, and for the first time, standards were incorporated for foreign exchange platforms. The FEM entities must verify that the platforms they used meet these standards.

After incorporating proposals made by the Bank, the National Congress approved the new FinTech Law in 2022. The Bank's proposals included the incorporation of new business models such as the regulation of payment initiators in the framework of open finance and the possibility of issuing a regulation on stablecoins.

The draft legislation on financial system resilience entered the legislative process.

The bill encompasses various proposals aimed at closing regulatory gaps, incorporating recommendations by the International Monetary Fund on access to central bank services by certain regulated financial institutions, providing additional tools for liquidity provision in periods of financial stress, and adopting measures to support the internationalization of the peso.

What are low-value payment clearing houses?

Low-value or retail payments are essentially the transactions that people make in their daily lives, using payment means such as credit or debit cards or electronic fund transfers, as well as cash. Technological advances have allowed the gradual substitution of cash with electronic payment means, but until recently, the clearing and settlement processes for these payments was executed outside the regulatory perimeter. That is no longer the case under the new regulatory framework.

The low-value payment clearing houses (LVCH) accept, settle, facilitate, or clear low-value payment orders corresponding to monetary liabilities, in national or foreign currency, which are payable or receivable by or to banks or other financial institutions subject to oversight by the Financial Market Commission (FMC).

Financial Policy Meeting (RPF)

Starting in 2022, the Central Bank holds Financial Policy Meetings (RPF), where the Board determines whether to change the countercyclical capital requirement (CCR) for the banking system. The CCR is a macroprudential measure for increasing resilience in the face of severe stress scenarios that could imply systemic risk. It thus contributes to reducing the impact of these events on financial stability, so as to avoid the restriction of essential services and protect the economy as a whole.

This meeting, held twice a year, is executed in accordance with the framework of the new Basel III capital standards for banks and the provisions of Article 66 ter of the General Banking Law (GBL).

Under the new GBL, the (de)activation of the CCR is the responsibility of the Central Bank. Macroprudential logic implies that it should be activated if different information and indicators point to the accumulation of systemic risk—which usually coincides with an expansive phase of the credit cycle—and deactivated if the risk is deemed to have dissipated or materialized. Hence the term countercyclical. The CCR is a broad-based tool, which has effects on the entire banking system, in contrast to capital charges, which affect individual banks or groups of banks, as in the case of the systemic charge.

The Bank's stated policy objective for the use of the countercyclical capital requirement is based on the prospective assessment of the vulnerabilities and risks in the financial system. The decision to activate or deactivate the CCR seeks to mitigate the amplification of systemic financial risks and their effects, taking into consideration the costs to the economy of increasing bank capital requirements.

Research agenda

The financial policy research agenda centers on two approaches:

1. Development of general models with financial frictions (e.g., international reserves model with financial agents, such as banks or institutional investors).
2. Empirical studies that make intensive use of microdata, with information on financial markets, credit users, and credit suppliers

The issues addressed in these works include financial intermediation in the banking sector; financial markets and institutional investors; vulnerabilities and risks in households and firms; and international finance and financial innovations.

The research aims to quantify the impact of various financial policies, in order to identify key parameters for making prospective assessments and calibrating economic models. The latter support policy decisions.

During the year, progress was made on two of the Division's key products: the macrofinancial model and the Household Finance Survey (HFS). The macrofinancial model was one of the analytical tools used for the countercyclical capital requirement decision at the financial policy meetings in 2022, and the HFS, which was conducted in 2021 and published in October 2022, shows the financial evolution of households during the pandemic.

We also published ten papers in specialized journals (e.g., *Journal of Banking and Finance*, *Journal of International Money and Finance*) and 13 working papers. With regard to diffusion, we organized four workshops—on climate change, central bank digital currencies, industrial organization, and macroprudential tools—as well as technical courses.

Financial stability risk monitoring and management

During the year, the Bank continued to make progress on modernizing and improving the process of preparing the Financial Stability Report (FSR), orienting the report toward the comprehensive analysis of the risks and vulnerabilities affecting the Chilean financial sector, following international best practices.

23

presentations on banking and financial conditions and statistics

10

preparatory meetings for the Financial Stability Report (FSR)

11

presentations on credit user risk factors and prospective risk models

6

meetings with the Board in relation to the Financial Policy Meeting (FPM).

2

Financial Stability Reports

One included a thematic chapter entitled “Climate Change Challenges for the Financial System and the Central Bank.”

11

meetings of the Financial Stability Board

Participation in international forums and coordination groups

In 2022, our teams participated actively in various forums for coordination with other central banks and international financial authorities:

- Final phase of the Financial Sector Assessment Program (FSAP), conducted by the IMF in conjunction with the World Bank to study and analyze the financial sector in depth and formulate recommendations. The issues addressed in the final report include financial inclusion (particularly digital); indebtedness, consumer protection, and credit information; pension funds; competition in the financial industry; and, for the first time, green finance and climate risks.
- Participation in IMF, CEMLA, FSB, and BIS forums.
- Financial Stability Board’s annual global monitoring of nonbank financial institutions.
- OECD Committee on Financial Markets.
- BIS Cryptoassets Taskforce.
- BIS-FSB Financial Innovation Network.

Locally, we participated in various coordination groups, such as the Chilean Financial Stability Board; the Financial Supervision Committee (as observers); the Commission for Setting Interchange Fee Limits; the Technical Investment Council; the Presidential Advisory Council for Financial Inclusion and Literacy; the Public-Private Working Group on Green Finance; and the Green Taxonomy Committee.

4.3 Financial Markets

To expand the sources of liquidity in foreign currency, strengthen the regional financial security network, and thus have additional tools for mitigating potential external financial risks, the Bank joined the Latin American Reserve Fund (FLAR) in February, with a capital contribution of USD 500 million.

In May, as part of the exit strategy from the IMF Flexible Credit Line (FCL) taken in 2020, we accepted a Short-term Liquidity Line (SLL) for USD 3.3 billion. The objective was to maintain sources of foreign currency liquidity and thus to have additional tools for mitigating potential external financial risks.

In June, the Board of the Central Bank of Chile announced a foreign currency intervention program and the preemptive provision of dollar liquidity. This action sought to facilitate the Chilean economy's adjustment to uncertain and changing internal and external conditions. The

program considered a total of up to USD 25.0 billion (between 18 July and 30 September) through spot dollar sales (up to USD 10.0 billion), the sale of currency hedging instruments (NDF of up to USD 10.0 billion), and dollar liquidity provision (currency swaps of up to USD 5.0 billion).

In August, with the attendance of the Finance Ministry, we signed a new IMF SLL for USD 18.5 billion (SDR 13.954 billion), terminating the USD 3.3 billion SLL signed a few months earlier. The new credit line represents a precautionary measure to ensure the availability of international liquidity in the face of an increase in the probability of adverse external events.

In the context of the end of the foreign currency intervention program and the preemptive dollar liquidity program, in September the Bank announced the rollover, for a period of approximately 3.5 months, of dollar forwards (currency

hedging instruments) at market conditions, for the current stock on that date, equivalent to USD 9.11 billion.

In November, to facilitate the orderly unwinding of the FCIC when it expires, the Board offered a program for the standardization of admissible collateral, consisting in the replacement of the stock of pledged loan portfolios with instruments that are eligible collateral for the Bank's usual liquidity operations, at a ratio of 1/18 per month, starting on 26 January 2023.

In December, the Bank announced the rollover of the stock of dollar forwards equivalent to USD 9.11 billion, which, as previously announced, would be in effect through 13 January 2023. The rollover of operations was extended through 2 June 2023.

Debt management

In 2022, the normalization of the monetary policy rate (started in mid-2021) and the sale of dollars in the spot market produced changes in the size of the Central Bank's balance sheet and its asset-liability composition. The latter is reflected in a reduction of the monetary base and an increase in the stock of Central Bank discount notes (PDBC) used to ensure the correct transmission of monetary policy.

Average annual stock of discount notes (PDBC) increased 26% in 2022 (CLP 39.812 trillion in December). **723** auctions at different maturities over the course of the year, of which **78%** were placed.

Type of PDBC

PDBC auctions	PDBC-7	PDBC-14	PDBC-21	PDBC-30	PDBC-60	PDBC-90	PDBC-180	PDBC-360	Total
Number of auctions	0	185	83	170	76	150	59	0	723
Number of placements	0	174	64	138	38	105	45	0	564

Month	Stock
January	35,886
February	42,303
March	37,519
April	41,953
May	40,752
June	40,636
July	41,047
August	41,336
September	37,332
October	37,194
November	41,371
December	39,812

Amount in trillions of pesos



Foreign currency operations

The intervention in the foreign exchange market announced on 14 July 2022 considered the following operations:

1. Spot dollar sales of up to USD 10.0 billion, of which USD 6.15 billion were sold.
2. Sale of currency hedging instruments of up to USD 10.000 billion, of which USD 9.11 billion had been rolled over at year-end 2022.

Additionally, the Board announced a preemptive foreign currency swap program of up to USD 5.0 billion, which was complemented by a peso liquidity program through over-the-counter repo operations.

The stock of CBC NDF sales was **USD 9.910 billion** in December.

in 2022, there were 1,020 auctions considering foreign currency operations as a whole, with **96%** placement.

87% of foreign currency auctions were NDFs, of which, as of October, corresponded to rollovers of the current stock.¹

¹ The current NDF stock only considers operations without fixing.

Month	NDF stock	Swap stock
January	0	0
February	0	0
March	0	0
April	0	0
May	0	0
June	0	0
July	2,460	201
August	7,146	201
September	9,415	0
October	9,107	0
November	9,110	0
December	9,110	0

Monto en miles de millones de pesos

FX auctions	Spot	NDF	FX Swap	Total
Number of auctions	112	886	22	1.020
Number of placements	112	886	1	981

International reserves and sovereign wealth funds

The mandate

International reserves are liquid foreign currency assets held by the Central Bank to support monetary and financial stability policy. They are one of the tools available to the Bank to meet its primary objective of safeguarding the stability of the currency and the normal functioning of internal and external payments.

The management of these reserves aims to guarantee efficient access to international liquidity while preserving the Bank's financial equity. This is done under the legal framework defined in the Basic Constitutional Act (BCA) and a set of internal policies and practices that are in line with international recommendations and that have been approved by the Board of the Central Bank of Chile.

The main objectives of the investment policy are as follows:

- To hold the reserves in highly liquid instruments, which can be called in the briefest period possible without incurring significant transaction costs;
- To invest in instruments that present limited financial risks, in order to limit the possibility of incurring capital losses; and
- To reduce the cost of holding the reserves at the margin.

Since 2007, at the request of the Finance Minister, the Bank has acted as fiscal agent in the management of all or part of the fiscal resources held in the Economic and Social Stabilization Fund (ESSF) and the Pension Reserve Fund (PRF).

The Bank submits daily, monthly, quarterly, and annual reports to the corresponding government authorities, in accordance with the stipulations of the respective fiscal agency decrees and the corresponding performance guidelines. These reports include measures of performance, risk, and compliance with the specifications in the current performance guidelines.

Reserve performance

At year-end 2022, the balance of international reserves was USD 39.154,1 billion, down USD 12.1757 billion from year-end 2021. This is explained by a reduction of USD 9.3496 billion in the investment portfolio, USD 2.5805 billion in the cash portfolio, and USD 245.6 million in the other assets portfolio



The reduction in the value of the investment portfolio is mainly explained by the sale of dollars due to the foreign currency intervention program, which involved the sale of USD 6.150 billion of reserves while the program was in effect. Additionally, the market value of the reserves was lower in 2022, by USD 2.6218 billion, as a result of the interest rate hike, in a context of high inflation, and the depreciation against the U.S. dollar of the currencies that make up the reserve portfolio. The rest of the difference corresponds to other withdrawals from the investment portfolio totaling USD 577.8 million, which were mostly related to ordinary operations that the Bank conducts with the IMF (purchase and sale of SDRs).

The reduction in the cash portfolio, in turn, was explained by lower deposits denominated in U.S. dollars at the Central Bank by the commercial banks.

Finally, the drop in the other assets portfolio is mainly explained by the Central Bank's contribution to the Latin American Reserve Fund (FLAR) on joining the organization and by market value adjustments.

The liquidity of the reserves was ensured by investing in asset classes and issuers whose securities are traded on deep markets. At year-end 2022, total international reserves were invested as follows:

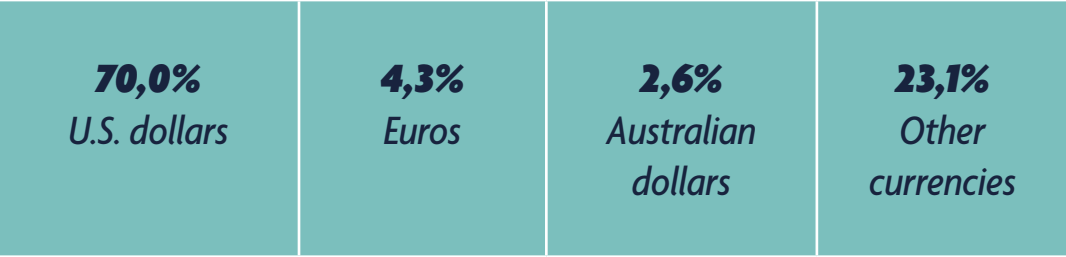


To safeguard the Bank's equity, the invested resources are managed under policies and controls designed to limit financial and operational risk, which are approved by the Board. Credit risk is controlled through exposure limits and compliance with eligibility criteria for the issuers, instruments, intermediaries, and custodians used in the management of the international reserves.

At year-end 2022, excluding other assets and current foreign currency operations, our international reserves are invested as follows:

96.2% <i>Sovereign risk</i>	1.4% <i>Bank risk</i>	2.1% <i>Supranational risk</i>	0.3% <i>Agency risk</i>
79.5% <i>AAA rating</i>		20.5% <i>A- to AA+ rating</i>	

Market risk is contained through the diversification of investment currencies, instruments, and maturities, taking into account the impact of decisions regarding these parameters on the Bank's balance sheet. At year-end, the average duration of the investment portfolio was around 30.4 months, while the distribution of total reserves by currency was as follows:



Operational risk was managed through the separation of functions and responsibilities and the application of internal and external controls. A portion of the investment portfolio was managed by two external managers: namely, Allianz Global Investors and BNP Paribas Asset Management. These firms came on board in November 2021, with a mandate of USD 600 million each. Both firms manage a long-term global government fixed-income mandate, with a structure equivalent to the internally managed portfolio.

Our returns

The total return obtained from international reserve management in 2022, excluding the other assets portfolio, was -4.18% measured in local currency² and -5.8% measured in U.S. dollars.

The local currency return on fixed-income instruments is explained, in part, by the increase in government bond yield rates, in a context of high global inflation, which led to the withdrawal of the monetary stimulus by the main central banks.

The year was especially negative for returns on fixed assets. In particular, an analysis of a broad sample of global indexes reveals that the majority recorded negative returns in 2022, ranging from -23% to -0.1%.³ For more details, see Appendix 2.

The differential return relative to the benchmark, which is used to guide and evaluate investment performance, was 13.4 basis points in 2022.

Appendix 2 presents a more detailed report, in accordance with institutional policy on the provision of information on the management of international reserves

²The return in local currency does not incorporate appreciation or depreciation of the portfolio currencies against the U.S. dollar.

³Source: Bloomberg

Complementary liquidity lines

Since 2020, our institution has signed a number of agreements to strengthen its access to international liquidity. These buffers are complementary to the international reserves.

Buffer	Amount	Expiration date
Flexible Credit Line (FCL): A precautionary and temporary line opened by the IMF for countries with strong fundamentals and policy frameworks.	USD 18.5 billion	August 2024
FLAR liquidity lines: In February 2022, the CBC joined the Latin American Reserve Fund (FLAR), making a contribution of approximately USD 558.9 million).	USD 1.25 billion	N/A
Foreign and International Monetary Authorities (FIMA) Temporary Repo Facility, New York Federal Reserve: While this is not an additional liquidity line, it is a facility through which we can access U.S. dollars, on a temporary basis, using U.S. Treasury securities as collateral.	N/A	N/A
Renminbi/peso (RMB/CLP) swap line: swap line with the PBoC, maintained since 2015.	Equivalent to approximately USD 7.2 billion	August 2026

Note: At year-end 2022, none of these facilities had been used by the CBC. The RMB/CLP swap line is defined in renminbi (RMB 50 billion).

Sovereign wealth fund management

In 2022, the Central Bank of Chile (CBC), acting as fiscal agent for the Republic of Chile, continued to manage part of the Economic and Social Stabilization Fund (ESSF) and the Pension Reserve Fund (PRF) in accordance with investment policy established by the Finance Ministry in the performance guidelines.

In that context, the Bank implemented a management approach in which the investment objective was to obtain monthly returns in line with the benchmarks, within the risk parameters defined by the Finance Ministry (FM). In general terms, we applied the same principles and standards to managing the sovereign wealth funds that we use for our international reserves.

Pension Reserve Fund (PRF)

PRF portfolio allocation

Long term

- Sovereign and quasi-sovereign (government-related) bonds (managed by the CBC)
- Inflation-indexed sovereign bonds (managed by the CBC)
- U.S. agency mortgage-backed securities (MBS) (delegated by the CBC)
- Corporate bonds (delegated by the FM)
- High-yield bonds (delegated by the FM)
- Equity (delegated by the FM)

In 2022, the PRF received a contribution of USD 531.6 million and had withdrawals of USD 268.9 million. Thus, the portfolio that is managed internally by the CBC recorded a net capital inflow of approximately USD 242.6 million. The delegated MBS portfolio had a net contribution of USD 5.0 million, and the portfolios that are delegated directly by the FM received contributions of USD 15.0 million (with net contributions of USD 69.0 million for corporate bonds and USD 15.0 million for high-yield bonds, and a net withdrawal of USD 69.0 million from equity).

Considering these capital movements and the fund yields in the year, the PRF had a market value of USD 6.4753 billion at year-end 2022, of which USD 3.1219 billion was under management by the CBC and its delegated portfolio managers⁵.

⁵ At year-end 2022, the PRF resources managed by the Central Bank, as fiscal agent, are divided into a sovereign and quasi-sovereign bond portfolio (USD 2.2192 billion) and an inflation-indexed sovereign bond portfolio (USD 511.6 million), managed internally by the CBC. There is also a U.S. agency mortgage-backed security (MBS) portfolio whose management was delegated by the CBC to external portfolio managers (USD 391.1 million). The remaining PRF resources were managed by external portfolio managers under equity, high-yield bond, and corporate bond mandates, which were supervised directly by the Finance Ministry.

Economic and Social Stabilization Fund (ESSF)

During the year, the ESSF received two capital contributions totaling USD 5.9977 billion. Thus, at year-end 2022, the market value of the ESSF was USD 7.5142 billion, managed entirely by the CBC.

Net capital inflows and outflows in 2022 resulted in a USD 590.2 million reduction in the market value of the PRF portfolios managed by the CBC and its delegated portfolio managers; and a USD 941.1 million reduction in the market value of the ESSF.

In 2022, the Bank continued to use the services of a global custodian, which also measured the performance, risk, and benchmark compliance of fund management, in accordance with the standards and parameters outlined in the Finance Ministry's investment guidelines.

The absolute return of both portfolios is almost entirely determined by the composition of the benchmark indexes defined by the FM. In this context, the yield on both portfolios in 2022 is mainly explained by the increase in interest rates worldwide and the appreciation of the U.S. dollar. The combination of these effects resulted in negative absolute returns on portfolios invested in international fixed-income securities and in equity.

Retornos absolutos medidos en dólares de EE.UU. de los recursos administrados directamente por el Banco Central

FRP	FEES
-17.53%	-12.35%

The differential return attributable to the Bank's management, relative to the benchmark portfolios established by the FM, was 46.3 and -15.4 basis points for the long-term PRF and ESSF, respectively⁶.

With regard to fiscal agency fees,⁷ the costs of managing the funds were charged to the Treasury. In 2021, the annual charges for the ESSF and PRF were 4.8 and 1.3 basis points, respectively⁸.

In accordance with both the Bank's information disclosure policy and the stipulations of the Fiscal Agency Decree, Appendix 3 provides more details on the Bank's management of the ESSF and the PRF resources.

⁶ In the case of the PRF, if the management of both the CBC (long-term portfolio) and its delegated portfolio managers (U.S. agency MBS portfolio) are taken into account, the absolute and differential returns attributable to the fiscal agent in 2022 were -16.80% and 42.8 basis points, respectively.

⁷ The fiscal agency fees for the ESSF and PRF are associated with direct expenses and costs incurred by the Bank in the management of the funds and do not consider other expenses, such as those associated with the external portfolio managers or the custodian.

⁸ Calculated over the average market value of the resources directly managed by the Bank (excluding the cost of the delegated external portfolio managers of the PRF).

Fiscal Agency

As in past years, the Central Bank accepted the fiscal agency agreement for the placement of Treasury bonds and bills. This involved auctioning peso-denominated Treasury bonds with maturity dates of 2043 and 2050 (BTP-2043 and BTP-2050), UF-denominated Treasury bonds with maturity dates of 2028, 2030, 2033, and 2050 (BTU-2028, BTU-2030, BTU-2033, and BTU-2050), and peso-denominated Treasury bills at 10, 11, 23, and 25 months; as well as the cash buyback of peso- and UF-denominated Treasury securities maturing in 2023.

The Treasury bonds were all issued in accordance with the provisions of Article 104 of the Income Tax Law.

Provision of large-value payment services in 2022

The Real-Time Gross Settlement (RTGS) System is the main large-value payment system in Chile and is owned and operated by the Central Bank of Chile (CBC). The system has 20 participants, including banks and nonbank financial institutions, in addition to the CBC itself.

Transactions are settled immediately and on a gross basis in the accounts of each bank, in a format that removes credit or liquidity risk, thereby contributing to the stability of the financial system and the performance of the economy in general.

To increase the efficiency of the RTGS System in domestic currency (RTGS-CLP), the Bank supplies interest-free credit

throughout the day via access to an intraday liquidity facility, conditional on the provision of eligible collateral or guarantees pledged to the CBC.

In 2022, the average daily value supplied through the intraday credit facility, including both modalities, was CLP 4.98 trillion.

In terms of hardware and software, in the year, in replacement of current systems, we inaugurated the new RTGS Contingency System (C-RTGS), incorporating the new automatic processing functionality for payments sent by participants via SWIFT messages and the new clearing house management system (SISCAM). Additionally, we launched a new functionality in the RTGS System that gives participants the option of specifying a settlement time for their respective fund transfer instructions (MT103/ MT202/MT205) within the aforementioned system.

Finally, as in past years, the Bank coordinated three business continuity exercises, in conjunction with participants of the large-value payment system and financial market infrastructures.

<i>Real-Time Settlement System in CLP</i>	<i>Real-Time Settlement System in foreign currency</i>	<i>Availability</i>
The RTGS sub-system in domestic currency settled an average of 1,735 payments per day in 2022—including includes the Bank’s own transfers—with an average daily value of CLP 41.26 trillion (equivalent to USD 47.30 billion). This represents a decrease in the average daily value of 15.09% over last year.	The RTGS sub-system in USD settled an average of 33 payments per day in 2022—including includes the Bank’s own transfers—with an average daily value of USD 2.406 billion. This represents a decrease in the average daily value of 66.17% over last year.	In 2022, the availability of the RTGS System and the SOMA System (which provides intraday credit) was 99.99% and 99.71%, respectively.

4.4 Macroeconomic Statistics

The Central Bank's functions include the compilation and timely publication of the main national macroeconomic statistics, including monetary, foreign exchange, and balance-of-payments statistics, the national accounts, and other global economic and social accounting systems. We thus contribute to the well-being of society through the provision of relevant, timely, high-quality macroeconomic statistics that support the analysis and decisionmaking of different economic agents.

What kind of statistics do we work with at the Central Bank?

We process and publish daily, weekly, quarterly, and annual statistics, including indexation calculations (e.g., the *unidad de fomento* and the observed dollar exchange rate), foreign exchange market statistics, interest rates, monetary aggregates, international reserves, securities market data, external debt, etc.

Every month, we publish the Monthly Economic Activity Indicator (IMACEC). Quarterly, we publish the national accounts, which reflect the evolution of gross domestic product (GDP); the balance of payments, which reflects the exchange of goods and services, as well as transfers to and from the country; and the national accounts by institutional sector, which are used to analyze the economy by economic agent and obtain variables such as gross available income, savings, and financing by sector. We also undertake and coordinate statistical research and analysis, always incorporating the highest international standards.

What are experimental statistics?

The objective of producing experimental statistics is to have more timely, more disaggregated data (frequency), which complement the official macroeconomic statistics that we currently publish. Experimental statistics belong within the sphere of innovation and experimentation, use new information sources that have emerged with digitization, do not have international standards, and, because they have a higher frequency, may be subject to more frequent revisions than traditional statistics.

Highlights in statistics in 2022 included the following:

In March, we published the **National Accounts and Balance of Payments** based on the new Benchmark Compilation for the Chilean economy, corresponding to 2018 (BC2018). These series incorporated improvements in terms of data sources, such as electronic tax records, VAT declarations on digital services, and tax balance sheets, as well as methodological improvements. Additionally, the publication of the National Accounts by Institutional Sector included a set of seasonally adjusted series of the main macroeconomic aggregates, and we published fixed capital consumption consistent with capital stock derived using a geometric method.

We revised the historical series through 1996 (and statistical splicing from 1960 on) for the National Accounts and through 2003 for the Balance of Payments and National Accounts by Institutional Sector. All these changes and new methodologies for elaborating the national accounts were diffused through the publication of the Benchmark

Compilation in March and through the Sources and Methods report published in November.

In June, we published the **Regional Gross Domestic Product (RGDP)** with a quarterly frequency for the first time, a result of the Bank's ongoing effort to expand the statistical information available to users. The new quarterly RGDP series consider the country's current political-administrative division of 16 regions, including the Ñuble region created in 2017. These statistics are updated on the 23rd (or the next business day) of April, June, September, and December.

With regard to foreign currency regulation process, considered in the 2018–2022 Strategic Plan, in June we modified the regulations on access to and the functioning of the Formal Exchange Market (FEM). The modifications aim to expand the number of participants, facilitate market access for financial intermediaries that are supervised by the Financial Market Commission (FMC), reduce the reporting frequency, and simplify the submission of information for nonbank FEM entities.

In July, we published two new chapters in the **Statistics Database (SDB)** to diffuse compilations of [regional](#) and [gender](#) statistics. This initiative is part of the Bank's effort to facilitate access to information of public interest, by allowing users to analyze indicators elaborated by different institutions in a single place. The statistics are presented on dashboards or monitors that let users access graphs and data and interact with the information more dynamically. The data cover jobs, demographics, economic and financial indicators, and other topics.

In mid-year, in the framework of the Bank's Experimental Statistics initiative, we launched the publication of the [Daily Retail Sales Index \(IVDCM\)](#), prepared using administrative records on electronic receipts, provided by the Chilean Internal Revenue Service (IRS). The daily electronic receipts include total transactions, regardless of the means of payment or sales channel, between businesses and consumers. In this line, we are also publishing the daily regional mobility indicator, based on the number of electronic sales receipts issued by a sample of 500 service stations that re-

port their sales to the IRS. This information shows the impact of holidays on the regional economy, as well as the effect of mobility restrictions such as the lockdowns applied during the COVID-19 crisis.

In the area of experimental statistics, and in response to the high demand for labor market data, in October we made available to the public the [Internet Job Posting Index \(IALI\)](#) with breakdowns by region and occupational group. In both cases, diffusion is quarterly with a lag of seven days. The new disaggregation of the IALI was possible through a more intensive use of the available information and the application of automated classification techniques to information on positions offered in job postings.

In late October, in conjunction with the Financial Policy Division, we presented the results of [the 2021 Household Finance Survey \(HFS\)](#), whose objective is to obtain detailed information on the financial situation of Chilean households. In particular, the survey asks questions on the family's status with respect to their savings, debt, income, financial assets, and use of payment means. The survey, which was applied in 4,400 households in the main cities throughout Chile during the pandemic, had national urban coverage, by macrozones and wealth strata.

In late November, we launched [the Integrated Derivatives Information System \(IDIS-TR\)](#), the country's first financial market infrastructure corresponding to a derivatives repository. This platform increases market transparency, promotes financial stability, and facilitates the regulators'

oversight. In this system, banks, institutional investors, and other residents that trade derivatives will report their transactions in accordance with international best practices and recommendations. Users can now access new information on foreign currency, interest rate, and inflation derivatives through a web portal that was specially designed for this purpose. With a lag of two days, users can access participants' daily records, the amounts traded and open, and the contractual terms of the transactions. This is complemented monthly with statistics on residual maturities and open positions for a broader universe of interest rates.

In December, in the area of experimental statistics, we launched the monthly diffusion of [different company dynamics indicators](#). Thus, we provide aggregate

statistical information on the transformations undergone by companies that conduct business in the country in a given period. Knowing their behavior over time can contribute to a better understanding of the evolution of variables such as occupation, investment, and economic growth.

Data Governance Committee

Given the increasing importance of data and information, in 2022 we continued consolidating data governance within the Bank, through the definition and implementation of guidelines on the reception and efficient, secure use of data. At the same time, we made progress on the implementation of a technology platform that allows the use and processing of large volumes of data, for incorporation in monetary and financial policy analysis and decisions.

Participation in international organizations

Activity	Description	Objective
Chair of the Executive Board of the BIS Irving Fisher Committee (IFC)	At the regular meeting in May, the BIS governors nominated the Deputy Governor of the Central Bank of Chile, Pablo García, as chair of the Irving Fisher Committee (IFC) for a period of three years, starting on 12 September 2022.	The IFC is a global network of economists and statisticians at central bank and international and regional organizations, which formally addresses issues related to central banking. The committee's objective is to share experiences on developments related to data, analytical methodologies, their value in comparison to traditional statistics, and the risks of use.
Co-chair of the CEMLA Financial Information Forum (FIF)	We continue to serve as co-chair of the CEMLA Financial Information Forum (FIF), together with the Central Banks of Mexico and Peru.	The objective of the forum is to share experiences and best practices related to central banks' work in the area of statistics, with an emphasis on financial information.
OECD Committee on Statistics and Statistical Policy (CSSP)	During the year, we participated in the committee's annual meeting and various sessions for cooperation and technical support.	The committee's primary objective is to support policymaking on the basis of high quality, internationally comparable data and evidence-based analysis and to provide this statistical information to all interested users, including the general public.
OECD working groups	Working Party on Financial Statistics (WPFS), Working Party on National Accounts (WPNA), Conference on National Economic and Financial Accounts (CNEFA) y el Informal Advisory Group on Measuring GDP in a Digitalised Economy, y de Balanza de Pagos, Working Group on International Investment Statistics (WGIIS) y Working Party on International Trade in Goods and Services Statistics (WPGTS).	These working groups function as meeting forums for organizations responsible for issuing guidelines and standards on statistics compilation and the institutions responsible for producing and diffusing statistics on the countries' National Accounts, direct investment, and international trade of goods and services.
Other activities	We participated actively in economic statistics forums and seminars, organized by ECLAC, the United Nations, the International Network for Exchanging Experience on Statistical Handling of Granular Data (INEXDA), and the OTC Derivatives Regulators' Forum (ODRF).	Promotion of best practices in the production of statistics.

Public communication

An important part of the Bank's actions to enhance transparency involves providing the general public with information to help them understand our mandate and the work that we do.

One of the improvements made during the year was the development of a new visualization tool, whose versatility allows showing different types of information interactively, facilitating analysis. These dashboards have been made available to the public through new websites dedicated to statistics:



4.5 Monitoring the Economic and Financial Effects of Environmental and Social Variables

Material topic

GRI 3-3



<p>Description</p>		<p>Objective</p>
<p>At the Central Bank, we are aware that climate change is one of the biggest risks facing humanity in the long run, and its immediate consequences are being felt through effects on the economy, financial systems, and people's lives. Monitoring these impacts is part of our role, based on the Bank's mandate to safeguard the stability of the currency and the financial system and contribute to the country's development.</p>	<p>the multidimensional impacts that global warming is producing on it and our society. In this framework, we actively participated in working groups to define the national agenda in this area, from the perspective of expert knowledge on data modeling.</p>	<p>To contribute to decisionmaking on the national climate agenda, with precise and timely information.</p>
<p>Impacts</p> <p>Because it is a highly important issue on the global and national agenda, we have progressively integrated this challenge into our daily work, because we have the capacity to contribute information and measures that allow decisionmakers to evaluate our country's natural capital and</p>	<p>Políticas y lineamientos</p> <ul style="list-style-type: none"> • Sustainability Strategy. • Recommendations of the Network of Central Banks and Supervisors for Greening the Financial System (NGFS). • Commitments of the Central Bank in the <u>Agreement of the Green Finance Table of the Treasury</u> 	<p>Progress and actions</p> <ul style="list-style-type: none"> • Advisor to the interministry Natural Capital Committee. • Active participation in the NGFS. • Participation in the FSB. • Presence at COP 27. • Planetary limit lectures. • Participation in the Preliminary Green Taxonomy Committee. • Publication of climate change chapter in the FSR. • Exploration of green investment.

Participation in environmental forums

CBC 1

Natural Capital Committee

The Central Bank has been asked to participate in the Natural Capital Committee as a technical advisor on all issues related to measuring and assigning value to Chile's natural resources.

The creation of this committee, a pioneer in Latin America, was announced early in the year by President Gabriel Boric. The committee's members are from the Ministries of the Environment, Finance, and the Economy, Development, and Tourism. Its objective is to support and advise the President of Chile through the following actions: identify and measure the country's natural capital; recommend systems, mechanisms, or instruments for identifying its state; and recommend guidelines for prioritizing actions aimed at measuring it, protecting it, restoring it, and improving it.

The Central Bank of Chile was called on as a technical advisor, together with the National Council for Science, Technology, Knowledge and Innovation for Development.

NGFS

In 2022, we participated in various sub-groups of the Network for Greening the Financial System (NGFS), a group of central banks and supervisors committed to sharing best practices, contributing to the development of climate- and environment-related risk management in the financial sector, and mobilizing conventional finance to support the transition to a sustainable economy. In particular, we have cooperated on the elaboration and response of surveys on the state of progress on the incorporation of environmental variables in macroeconomic analysis in the different central banks around the world. We also contributed to the definition of a general conceptual framework for guiding central banks and financial regulators in this work. Additionally, we co-chaired over the macroeconomic modeling subgroup, which studies the state of the art in macroeconomic modeling that incorporates environmental issues in order to prepare a report for use by financial sectors and central banks.

Financial Stability Board (FSB)

We are part of the Regional Consultative Group for the Americas organized by the Financial Stability Board (FSB), a body that coordinates international and national authorities for joint work on the development of regulation, supervision systems, and financial sector policies that contribute to financial stability. The consultative groups review vulnerabilities that could affect the region's system and propose measures for addressing them.

COP 27

We were present at the 2022 United Nations Climate Change Conference (COP 27), in Sharm el-Sheikh, Egypt, specifically at the seminar, "Natural Capital: Measurement, Investment Challenges, and Opportunities," held in the Chile Pavilion. At the seminar, economist Gonzalo García-Trujillo spoke on Nature Backed Securities

Lectures on planetary limits

En 2022 realizamos ocho charlas sobre límites planetarios para alumnos universitarios, académicos y sector privado. Debido al interés que generó este tema, fuimos invitados también a exponer en seminarios organizados por las universidades Austral y Autónoma.

Preliminary Green Taxonomy Committee

During the year, we participated as advisors to the Finance Ministry's Preliminary Green Taxonomy Committee, which includes representatives from the Ministry of the Environment, the Financial Market Commission, and the Superintendent of Pensions. The objective of this committee is to create a classification of economic activities considered sustainable, so as to orient investments toward contributing to a low-carbon economy.

What are the implications of incorporating climate change into the FSR?

The Financial Stability Report (FSR) for the first half of 2022 published a chapter on climate change for the first time, describing the challenges that climate change implies for the economy and society. The chapter, which includes a literature review, a discussion of the Bank's role, and exercises quantifying the physical and transition risks, emphasized the importance of incorporating this variable into the risk analysis of investors and lenders.

In addition to raising the public visibility of this issue, the process facilitated the formulation of the next steps in the Bank's work agenda, by revealing the gaps in the analysis. Finally, the publication of the chapter has led to invitations to present on the issue at multiple forums.

Other activities

- We were present at the III Central Banks Conference on Environmental Risks. Rosario Celedón, Financial Policy Division Director, participated as a speaker; Felipe Córdova, Head of the Prospective Risk Analysis Department, acted as moderator.
- We attended the UN Biodiversity Conference (COP 15), in Canada.

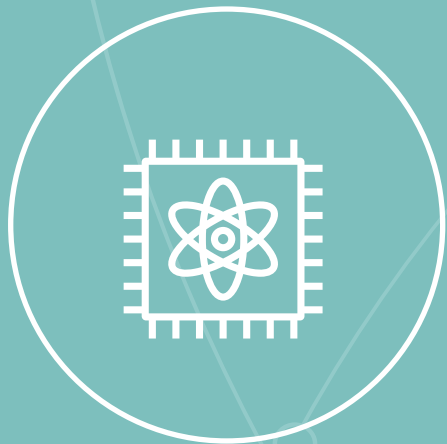
Sustainable investment

In 2022, we studied the possibility of investing a percentage of the international reserves in green bonds. This led to the conclusion that, in principle, there is space to incorporate these securities, because they are compatible both with the Basic Constitutional Act that governs the Central Bank and with the need to diversify financial risks to which the international reserves are exposed.

The next step is to gain experience in a developing market (green and sustainable bonds) and, to the extent possible, adopt international best practices in this area, such as the NGFS recommendations. We expect to implement this measure in the coming years.

4.6 Knowledge and Adoption of Disruptive Technologies

Material topic
GRI 3-3



Description

Throughout the world, the digitization of payments is moving forward at a fast pace, presenting challenges for the financial system, regulators, businesses, and merchants. These means of transaction are based on advanced technology that must be learned and adopted quickly and efficiently to support the development of these new means of exchange..

Impacts

The digital transformation currently underway goes beyond the incorporation of technologies and also supposes the generation of new operating and business models through different paradigms. The primary impact of the digitization of money occurs in the way in which buy-sell transactions are conducted between the different market actors.

This trend has recently intensified, generating challenges in the regulatory environment, in payment system security, and in financial education and inclusion. Another key factor is system interoperability, which requires advanced technology and, at the same time, clear regulations and standards. Within the Central Bank, the digital transformation challenge has been ramped up, in order to adequately serve a more technology-intensive system.

Policies and guidelines

- Promotion of innovation and the incorporation of new technologies, starting with the Board.
- Digital Transformation Strategy

Objective

To maintain society's confidence in the Central Bank's ability to manage the country's currency, including the ability to respond to the digitization of the payment system and support its development.

Progress and actions

- Development of the Digital Transformation Strategy.
- Provision of cloud-based services
- Promotion of technology exploration and innovation in the organization.
- New cybersecurity controls.
- Disaster recovery site.
- Technology Observatory, FinLab, and TechLab.
- Advanced data use.
- Exploration of Central Bank digital currencies

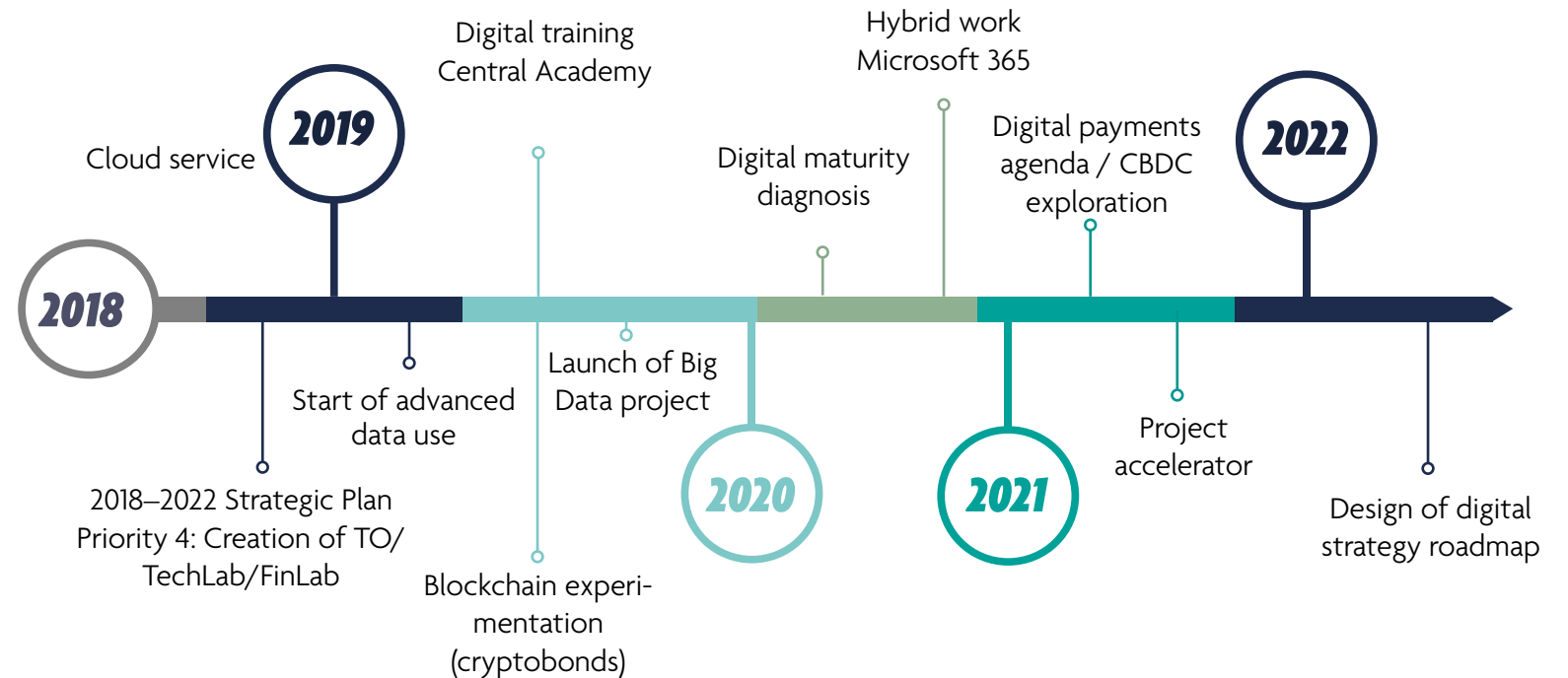
Promotion of innovation and the incorporation of new technologies

CBC 2

At the Central Bank, we define innovation as the ability to update, adapt, and/or change processes, in line with current needs and future projections, in an ever-changing, demanding, and challenging environment. Thus, innovation is one of the fundamental pillars for the achievement of our institutional objectives and the evolution of our organization.

This aspect represents one of our Board's management priorities, from the perspective of promoting a critical and defiant view of processes and technologies, driven by the search for excellence and streamlining.

Progress on the digital transformation



What does the Central Bank's digital transformation involve?

Processes

Adoption of new operating processes or changes in the existing processes.

Culture

Forms of teamwork that are flexible and multidisciplinary.

User Experience

Access to information and services, through multiple channels accessible anywhere.

Progress on the digital transformation

2022 Initiatives	Description	Results
Transformación digital	Incorporate emerging technologies in relation to both the Bank's day-to-day work and the achievement of its objectives.	<ul style="list-style-type: none"> • Implementation of the model and roadmap proposed in the 2022 Digital Strategy. • Launch of initiatives to expand the digital capabilities of the organization and its employees.
Provision of cloud services	Promote cloud services that minimize response time in value creation, through modern, secure technology solutions.	<ul style="list-style-type: none"> • Implementation of a service for facilitating the automation of applications and processes, with significant user participation. • Strengthening of modern work services, incorporating new capacities for teamwork, communication, safety, and mobility. • Strengthening of the cloud model for processing data research and analysis applications, deployed for all research economists who need access to public data (Big Data platform). • Continuity in the implementation and migration of cloud services, including SAP.
Promotion of technology exploration and innovation in the organization	Implement ways of working that promote technological innovation in the institution.	<ul style="list-style-type: none"> • Definition and implementation of a methodology for managing the Bank's technological innovation. • Exploration and implementation of innovative technology solutions in response to business requirements (e.g., Viva Insight, GitHub, Power BI Web). • Strengthening of the Technology Innovation Group and definition of a teamwork model with the Technology Observatory to promote innovation in the organization.
New cybersecurity controls	Improvements in the response to cybersecurity incidents in the face of emerging technology threats, proactive review of incidents in relevant external institutions (national and international), as well as the alerts and indications provided by the government CSIRT.*	<ul style="list-style-type: none"> • Reduction of risk exposition in the most exposed technological elements, through the application of patches, management of vulnerabilities, and system hardening. <p>As a result, we achieved a lower Cyber Exposure Score (CES) than both the international banking average and the industry standard.</p>

(*) Computer emergency response teams (CSIRT) are being set up in various public organizations in Chile.

Technology Observatory

The Technology Observatory is a catalyst for knowledge and the adoption of disruptive technologies in the Bank. It thus has three objectives:

1. Contribute to internal coordination on these issues.
2. Identify the axes of innovation, and promote and contribute to knowledge on those axes.
3. Strengthen the Bank's contact network for interacting with the ecosystem on innovation and disruptive technology issues.

In 2022, an internal diagnosis and workshops were conducted to identify gaps and define action lines. The results, validated and adjusted according to comments received by the different teams, were made available to the Bank's Strategic Planning team for the definition of work lines.

FinLab

The FinLab seeks to make room for innovations in the regulatory framework for retail payments. Thus, the regulations on the creation and operation of low-value payment clearing houses were published in 2021, and, in 2022, the FinLab worked with Financial Market Commission and the private sector on their implementation. The regulations distinguish between systemic and experimental initiatives, which will make the clearing and settlement process for retail payments more robust.

Techlab

The TechLab aims to provide a space for experimenting with disruptive technologies, in an experimental phase

Advanced data use

During the year, various activities were carried out to support advanced data use in the Bank, including the following:

- Construction of a legibility analysis application for texts related to monetary policy documents, as part of the activities of the Technology Observatory's Project Accelerator.
- Definition of technical courses in the Central Academy, aimed mainly at the financial-economic areas of the Bank and focused on advanced data use languages and techniques.
- Implementation of apps that facilitate version control and the development of collaborative coding.
- First steps in the definition a governance and guidelines for the evaluation of technological innovation initiatives.

Disaster recovery site

One of the most important milestones of the year was the inauguration of a disaster recovery (DR) site that gives us an operational continuity solution for the Bank's critical systems in the event of incidents, security breaches, or natural disasters that impede the use of the main data centers.

This achievement is particularly important because it makes our institution more resilient in its role as a service supplier to the national financial system, given that all the banks' operations directly or indirectly pass through the Central Bank's network and are updated hourly.

Central bank digital currencies

Con la proliferación de medios de pagos digitales, en el mundo se explora la potencial emisión de Monedas Digitales de Bancos Centrales (MDBC), iniciativa en la que estamos trabajando activamente.

En 2022 publicamos el informe “Emisión de una moneda digital de Banco Central en Chile”, como evaluación preliminar sobre la posibilidad de emitir una moneda digital y como base para abrir una interacción sobre el tema con diversos agentes interesados, tanto públicos como privados. Posteriormente, cerramos el proceso de mesas de trabajo de Exploración de Monedas Digitales de Banca Central, que involucró relacionamiento con el ecosistema local y aplicación del conocimiento desarrollado dentro de nuestra organización. En ese contexto, se definieron cuatro pilares, cuyos avances fueron:

1. Internal and external diffusion

We organized an interview with Natasha de Terán, a specialist on financial regulation, market structure, and payment means, which was transmitted live on the Bank’s YouTube channel and DF TV. The event was attended by around 300 external spectators and around 250 Bank employees.

We also organized a cycle of three talks: “Innovations in the world of payments,” “Payment means and financial inclusion,” and “Regulatory challenges and digital payments.”

2. Interaction with the environment

We organized eight working groups on CBDC exploration, with the participation of banks, nonbank issuers, brands and acquirers, payment service providers (PSP), fintechs, crypto exchanges, and financial infrastructures. The final

workshop led by Miguel Díaz, Head of the BIS Innovation Hub, Toronto Centre.

We also conducted a survey on the development of central bank digital currencies, which received over 500 responses. Processing the survey information and analyzing the results of the working groups will serve as inputs for the second CBDC report and medium-term plan, which is expected to be published in the first half of 2023.

3. Capacity Building

A CBDC Reading Group was formed within the Bank, in order to strengthen knowledge on digital currencies at the conceptual level in relation to issues of potential interest for financial and monetary policy. This group encompasses all the areas of the Bank and all people interested in CBDC-related issues.

4. Research and analysis

We held the academic workshop “Central Bank Digital Currencies: Implications and Challenges for Financial Stability (DPF),” and we participated in the BIS CBDC Taskforce with the preparation of a working paper assessing the risks involved in the implementation of CBDC.

The Technology Observatory also interviewed other central banks to obtain information on how they are exploring CBDC. To date, meetings have been held with Canada, Israel, Colombia, Turkey, and Uruguay. We hope to continue meeting with more institutions that have made significant progress in this area.

TESTIMONIALS

I think that “virtuous” is the word that best describes the alliance between the Central Bank of Chile and 35 daycare centers in the most vulnerable areas of the country. These centers serve more than 9,000 children and caretakers. We don’t just affect the lives of the individual, but also their families.

It all started thanks to the initiative of our Communications Office and the people in charge of outreach and the “Central in Your Life” program, who offered us these financial literacy workshops. There were three Zoom meetings, an hour each, where we proved how important it is for many Chilean families to have an idea about personal finances. Especially the mothers of the households, often single parents, who continue to be hard-hit by the economic effects of the pandemic.


At Hogar de Cristo, we are convinced that it was critical for us to connect with the Bank and hold these workshops. It has really helped people stretch the family budget, especially in lean times. In 2022, the high inflation hit everyone hard, but especially women heads of households, who have their children in our daycare centers. They were the ones who were the most enthusiastic about signing up.

The workshops were launched in the Biobío Region and covered all the regions where we are present, with the exception of the Metropolitan and O’Higgins, which will debut in April 2023. I think it is positive development for Chile that the Bank is reaching out to regions and opening up to work with NGOs and civil society.

I see a change in how the Central Bank is trying to connect with citizens. One thing I like is that in the workshops, they talk simply and directly. To most of the students, a concept like “ant expenses” makes a lot of sense. That daily temptation, which translates into a piece of candy, an ice cream, a pizza, which undermines the monthly budget.

The Central Bank Governor, Rosanna Costa, also played an important role. We invited her to our streaming program, “Conversation Hour.” And when a person with such a busy schedule takes the time to be with us, that’s a great sign. One thing she said that day made a big impression on us: “The economy is very simple, very intuitive. It’s the economist who make it difficult, with their complicated words.” I’m convinced that we still have a lot to do together.

Juan Cristóbal Romero, age 49.
Executive Director, Hogar de Cristo.
Estacion Central. Metropolitan Region.



“The fact that the Bank is going out to regions and opening up to NGOs is positive for Chile”.



05. External Links

- *Stakeholder Groups* 91
- *MT: Financial Literacy* 102












5.1. Stakeholder Groups

GRI 2-29

We define our stakeholders as all individuals or organizations that are or could be affected by our work in fulfilling the Central Bank’s institutional mandate, as well as those who can affect our sphere of activity through their actions or decisions.

In this sense, we carried out an intense stakeholder engagement agenda over the course of the year, deploying a set of activities for each stakeholder group. Thus, through the use of different platforms, we raised awareness on Bank’s objective and the impact of its decisions, thereby contributing to a better understanding of economic phenomena and processes, while always safeguarding our main asset: people’s trust in our institution.

Group	Members
 Authorities	Legislative branch, executive branch.
 Academic sector	Universities, economics and business administration departments, think tanks, professional institutes, technical training centers, educational establishments (primary and secondary schools).
 Private sector	Trade bodies (e.g., ABIF, CPC, Sofofa, CChC).
 Financial sector	Banks, stockbrokers, pension fund managers, family compensation funds, financial cooperatives, insurers, mutual and investment fund managers, etc.
 Social sector	Citizens, NGOs, civil society.
 Labor sector	Labor unions, job portals.
 Communication sector	Print media, TV, radio, digital media, economic journalists, opinion leaders, social media influencers.
 Health sector	Ministry of Health, epidemiologists, doctors.
 International sector	Central banks in other countries, international organizations such as the International Monetary Fund (IMF), World Bank (WB), Bank for International Settlements (BIS), Inter-American Development Bank (IDB), Center for Latin American Monetary Studies (CEMLA), CAF, etc.



After overcoming the restrictions imposed during the pandemic, when we had to adapt our capacity for communication and diffusion of information through remote digital media, in 2022 we returned to in-person events, with a large number of activities held both in Santiago and in the

different regions. These included the diffusion of our policy reports, various university lectures, educational workshops for primary and secondary students, guided visits of the Central Bank facilities, and participation in National Heritage Day.

What is the objective of stakeholder engagement?

- 1. Position the Central Bank's objective and purpose.**
- 2. Strengthen its corporate reputation.**
- 3. Raise awareness on the institution's role and functions.**
- 4. Reinforce our employees' commitment.**
- 5. Attract talent to the organization.**
- 6. Increase confidence in the Bank's work.**

A year of decentralization

In 2022 we put greater emphasis on decentralizing data and research, to expand our contribution to diverse groups throughout Chile. In total, we held 26 presentations in 11 cities.



Regional presence in 2022

Date	Speaker	Issue	Venue
7 April	Pablo García	Presentation of the March 2022 IPOM	Maule Progress Board and University of Talca, Talca
19 April	Luis Felipe Céspedes	Presentation of the March 2022 IPOM	Atacama Region Development Corporation (Corproa), Copiapó
2 May	Enrique Orellana	Lecture: “The Role and Functions of the Central Bank”	University of Development, Concepción
25 May	Miguel Fuentes	Lecture: “International Scenario Relevant for the Chilean Economy”	Catholic U. of Temuco, U. of La Frontera, U. Autónoma, U. Santo Tomás, U. Mayor, Temuco
8 June	Gonzalo García-Trujillo	Lecture: “Planetary Limits and Natural Capital”	Austral University, Valdivia
10 June	Pablo García	Presentation of the June 2022 IPOM	University of La Frontera, Temuco
10 June	Luis Felipe Céspedes	Presentation of the June 2022 IPOM	Parinacoop, Iquique
15 June	Pablo García	Presentation of the June 2022 IPOM	Adolfo Ibáñez University, Viña del Mar
15 June	Elías Albagli	Presentation of the June 2022 IPOM	AIEP, Viña del Mar
15 June	Miguel Fuentes	Lecture: “International Scenario Relevant for the Chilean Economy”	Catholic University of the Holy Conception, Concepción
15 June	Matías Tapia	Inflation Dynamics and Determinants in Chile	Inacap, Curicó



Date	Speaker	Issue	Venue
17 June	Enrique Orellana	Lecture: “The Role and Functions of the Central Bank”	Adolfo Ibáñez University, Viña del Mar
23 June	Pablo García	Launch of Regional GDP	Austral University, Valdivia.
29 June	Enrique Orellana	Lecture: “The Role and Functions of the Central Bank”	Autónoma University, Talca
7 July	Gloria Peña y Simón Guerrero	Launch of Regional GDP”	Araucanía Region Development Corporation (CorpAraucanía), Temuco
13 July	Francisco Ruiz	Launch of Regional GDP	Catholic University of the North and Antofagasta Industrial Association (AIA), Antofagasta
26 September	Stephany Griffith-Jones	Presentation of the September 2022 IPoM	O´Higgins University, Rancagua
27 September	Luis Felipe Céspedes	Presentation of the September 2022 IPoM	Regional Biobío Regional Government and Catholic University of the Holy Conception, Concepción.
27 September	Enrique Orellana	Presentation of the September 2022 IPoM	Autónoma University, Talca
29 September	Pablo García	Presentation of the September 2022 IPoM	Local Development Corporation for Antofagasta (Proloa), Calama
29 September	Luis Felipe Céspedes	Presentation of the September 2022 IPoM	Santo Tomás Technical Training Center, Copiapó
30 September	Alberto Naudon	Presentation of the September 2022 IPoM	Araucanía Region Development Corporation (CorpAraucanía), Temuco
9 November	Enzo Cerletti-Javiera Vásquez	Presentation of the Household Financial Survey (HFS) results	University of Talca, Talca
23 November	Javiera Vásquez	Presentation of the HFS results	Catholic University of the North, Antofagasta
29 November	Javiera Vásquez	Presentation of the HFS results	Austral University, Valdivia
7 December	Patricia Medrano	Presentation of the HFS results	University of Development, Concepción



Memberships

GRI 2-28

To strengthen and utilize our ties with other entities like ours, we participate in regional and global associations. Since 2021, we have an International Relations Policy that establishes five principles for the Bank's actions in this area:

- 1. Creation of international networks**
- 2. Access to specific knowledge**
- 3. Knowledge of best practices**
- 4. Provision of financial services**
- 5. International technical cooperation**

In 2022 we slowly returned to in-person activities after two years of restricted mobility due to the pandemic. These included official trips to represent the Bank overseas, visits to our offices by members of other central banks and international organizations, the coordination of events, presentations by the Board at international forums, technical support and cooperation activities, and other international affairs.

15

international organizations maintain formal relationships with the Bank, some of which have the authority to grant special financing to the institution

Central Bank of Chile's International Relations

Organization	Bank's contribution	Progress achieved	Membership fee
Latin American Integration Association (ALADI)	Creation of networks.	We participated remotely in the meeting held on 28–29 September, represented by the Financial Markets Division. We addressed the issue of the functioning of the Reciprocal Payment and Credit Agreement.	Annual fee corresponding solely to the ALADI Reciprocal Payment and Credit Agreement.
World Bank	Creation of networks, access to knowledge, best practices, technical cooperation.	We attended the IMF/WBG Spring Meeting and Annual Meetings, in May.	Membership fee that is not paid by the Bank.
Bank for International Settlements (BIS)	Creation of networks, access to knowledge, best practices, financial services, and technical cooperation.	Our Governor participated in person at the bimonthly meetings and the BIS Annual Conference. Our Deputy Governor chairs the Irving Fischer Committee. We have accepted the RMB Liquidity Arrangement.	None.
Center for Latin American Monetary Studies (CEMLA)	Creation of networks, access to knowledge, best practices, and technical cooperation.	We participated in training courses, peer meetings, technical support activities, thematic seminars, and governance meetings. In total, around 200 people from the Bank participated in CEMLA activities.	Annual fee.
Latin American Committee on Macroeconomic and Financial Issues (CLAAF)	Creation of networks and access to knowledge.	No activities.	Annual fee.
Financial Stability Board (FSB)	Creation of networks, access to knowledge, and best practices.	Although we are not members of the FSB, we participated in the activities of the Standing Committee on Assessment of Vulnerabilities (SCAV) and the Regional Consultative Group for the Americas (RCG).	None.

<i>Organización</i>	<i>Aporte al Banco</i>	<i>Avances logrados</i>	<i>Pago de afiliación</i>
Group of Thirty (G30)	Creation of networks and access to knowledge.	No activities.	Annual fee.
International Banking Research Network (IBRN)	Creación de redes, acceso a conocimiento, cooperación técnica.	Sin actividades.	Sin cuota.
Institute of International Finance (IIF)	Creation of networks and access to knowledge.	No activities.	Annual fee.
International Monetary Fund (IMF)	Creation of networks, access to knowledge, best practices, financial services, and technical cooperation.	We participated officially in the Spring and Annual Meetings. We organized joint events such as the presentation of the World Economic Outlook (WEO) in April and the launch of the Regional Economic Outlook (REO) in October. We hosted a visit from the mission for the IMF Article IV Consultation report. We accepted a Short-term Liquidity Line (SLL) for USD \$3.5 billion on 20 May. We accepted a new Flexible Credit Line (FCL) for USD \$18.5 billion, terminating the earlier SLL.	None.
The International Network for Exchanging Experience on Statistical Handling of Granular Data (INEXDA)	Access to knowledge y technical cooperation.	We participated in the annual meeting, at which we submitted comments on a collaborative report describing the group's purpose and guidelines (metadata, data access, etc.), which was presented at the XI Annual Meeting of the IFC.	None.

<i>Organization</i>	<i>Bank's contribution</i>	<i>Progress achieved</i>	<i>Membership fee</i>
International Operational Risk Working Group (IORWG)	Creation of networks, access to knowledge y best practices.	We participated in the annual conference, leading—in conjunction with the Bank of Canada—the expert group that analyzed and reviewed Risk Appetite, Culture and KRI issues.	Sin cuota.
Network for Greening the Financial System (NGFS)	Creation of networks, access to knowledge, best practices y technical cooperation.	We participated in working groups and workflows, to complete the program for the 2022–24 period for the Network for Greening the Financial System (NGFS), a group of central banks for green finance.	None.
Organization for Economic Cooperation and Development (OECD)	Creation of networks, access to knowledge, best practices y technical cooperation.	We were involved in activities with the Statistics, Financial Markets, STEP, and EPC committees. We will also take part in a hybrid professional internship in 2022.	None.
Official Monetary and Financial Institutions Forum (OMFIF)	Creación de redes y acceso a conocimiento	Trabajamos en la planificación del Seminario Internacional 2023.	None.

11 instancias de participación de nuestras autoridades y profesionales en el Poder Legislativo, en 2022.

Presence in Congress

As part of our mandate, every year we go before Congress to present the Monetary Policy Report (IPoM), three times before the Senate Finance Committee and once before the full Senate. We also present the Financial Stability Report (FSR) to the Senate Finance Committee. Additionally, the Bank's highest officers discuss our work in response to invitations from different congressional commissions. In 2022, we were present in Congress on 11 occasions, contributing to the debate on draft legislation.



Diffusion of topics of interest

Over the course of the year, we organized a wide range of diffusion activities using the different channels managed by the Bank, for both internal and external audiences.



Channel or platform



Audience



Principales resultados

Channel or platform	Audience	Principales resultados
Central Bank website	Researchers, academics, students, general public	6.837.582 visitas 1.737.872 usuarios únicos
Central in Your Life (website)	Educational community (students and teachers), general public	41,606 users 125,059 visits*
Central in Your Life (social media)	General public	16,137 followers
Interviews and opinion columns in the press	General public	37 interviews and columns
Digital Integrated Annual Report	General public	1,358 downloads
AIPEF training seminars	Economic journalists, journalism students	5 lectures 129 total attendees
Library portal	Researchers, academics, students, general public	145,583 visits 27,562 users
Twitter	General public	58,827 followers
Instagram	General public	15,452 followers

LinkedIn	General public	114,505 followers
billetesymonedas.cl	General public	274,207 users
National Heritage Day	General public	1,095 in-person visits 1,200 360° virtual tours
Digital Repository	Researchers, academics, students, general public	163,471 visitas 118,409 usuarios
Central online	Internal	52 ediciones
Virtual English Patio	Internal	8 meetings 2,241 participants (1,891 virtual, 350 in person)
Know Your Banknotes Program	General public	1,860 people trained
Quality of life sessions (Personnel Area)	Internal	480 participants
Quality of life sessions (Personnel Area)	Internal	358 participants
Central Perspective	Internal	12 editions

5.2 Financial Literacy

Material topic

GRI 3-2, 3-3



<p>Description</p>		<p>Objective</p>
<p>Our work at the Central Bank affects the society as a whole, since economic and financial stability is fundamental for people’s development and quality of life. Therefore, through the financial education program “Central in Your Life,” we carry out a series of initiatives oriented toward delivering educational information and content to people so that they can make better financial and economic decisions. In a context of high inflation, it becomes even more important to provide people with tools that help them endure complex financial situations.</p>	<p>country’s economic growth, such as low inflation and dynamic markets. Additionally, maintaining responsible debt levels benefits not only individuals, who can invest in their own economic, educational, and cultural capital, but also the country as a whole. Through the Central in Your Life program, the Central Bank connects with different audiences, in particular students and teachers but also the general public, through a range of initiatives oriented toward helping people better understand the economic and financial context in which they live, as well as the Central Bank’s work.</p>	<p>To promote education, with an emphasis on the educational community, strengthening the development of new content and tools, so as to broaden the scope of the program and help people make better financial decisions that contribute to their well-being.</p> <p>Avances y acciones</p> <ul style="list-style-type: none"> • Online course ,“City of Opportunities,” aimed at teachers and student teachers. • High school contest, “Economics Up Close.” • Financial education workshops for the general public.
<p>Impacts</p> <p>Personal and family financial management is essential because it contributes to people’s progress, which is linked to the factors that drive the</p>	<p>Políticas y lineamientos</p> <ul style="list-style-type: none"> • Strategic Plan. • Annual Plan of the Institutional Affairs Division. 	<ul style="list-style-type: none"> • Economic and financial content for teachers to use, available on the Central in Your Life website. • Financial education workshops students of all levels.

Affecting people through financial literacy

Every year, we implement new initiatives aimed at students, teachers, and the general public, to deliver simple, accessible economic and financial teaching content and teaching materials.

The experience gained over time with these initiatives has helped us broaden the scope to reach new audiences and to continue expanding the content addressed in the program.



Financial education activities

Pilot in-person workshops for 3rd and 4th graders



192

Participating students

By planning a class field trip, students learn basic concepts about handling money and financial planning. The workshop includes a visit to the Bank's numismatic museum.

Online workshops for 7th and 8th graders



309

Participating students

The program comprises a series of three workshops covering the economic problem, budgeting, and the importance of saving.

In-person workshops for high school students



1,157

Participating students

These in-person workshops teach students about the Central Bank's role and functions, as well as economic concepts and processes such as inflation, the monetary policy rate, and personal finances, in a simple accessible manner.

Online workshops for high school students



1,597

participating students

These workshops address the responsible use of credit cards and budgeting.

Pilot social program



60

Participants

In 2022, we designed and executed a pilot financial education program for the parents of children in Hogar de Cristo daycare centers. The diagnosis and later testing were conducted through representative online workshops in northern, central, and southern regions of the country.

Infocap workshop



90

Participants

Rosanna Costa led an in-person workshop on inflation for 90 students at the Infocap Training Institute, sometimes called the university of the worker.



Board workshops for the general public



Two Board Members led financial literacy workshops in 2022: Pablo García at the San Sebastián University and Luis Felipe Céspedes at the Sercotec office in Iquique.

“Finances for Everyone” workshops



This series of online workshops on financial literacy topics is led by Bank authorities and experts. Nine workshops were held in 2022.

Diffusion campaigns



People reached in the Central in Your Life community

A weekly newsletter is sent to the Central in Your Life community. In 2022, in addition to the 50 weekly newsletters, 44 notices were published on the website.

Central in Your Life website



The www.centralentuidavid.cl website is maintained and updated with educational material, audiovisual resources, personal finance tools and information, teaching materials, etc., aimed at the educational community and general public.

Financial education on social media



Social media accounts (Instagram, Facebook, and Twitter) are maintained and updated for the diffusion of financial literacy topics and the Central in Your Life program.



International Financial Education Seminar

122

In-person attendees

320,366

**views and connections
(Emol TV, YouTube, and Zoom)**

The II International Financial Education Seminar was held on 24 October, in hybrid format. The focus was on the new analytical trends and the communication process for financial education content.

Speakers included representatives from the OECD, World Bank, IDB, Bank of England, U. of Johannesburg (South Africa), U. College Cork (Ireland), Financial Times, FMC, U. of Chile, CNN Chile, and CBC.



Economics Up Close contest

 **1,613**

Participating students and teachers

We received 331 videos for this year's contest. The students have to answer a question related to the Bank's work, in a three-minute video. The groups are made up of a teacher and one to four students. In 2022, for the 18th annual contest, the question was: What forms of payment do you imagine there will be in the future, what challenges do they imply, and what should be the Central Bank's role?

City of Opportunities course

 **386**

Graduates

In 2022, we held the fifth version of this online financial and economic education course for high school teachers. The course, which lasts five months, consists in six content modules and a final project. Starting in 2022, the course has CPEIP certification from the Ministry of Education.



Know Your Banknotes Program

Now in its 17th year, the Know Your Banknotes Program is open to the general public, but it is especially aimed at people who work with cash daily. The objective is to train people on the banknote security features and provide advice on care and handling.

In 2022 we made several improvements to increase attendance, enhance the transmission platform, given that the workshops have been remote since 2020, improve the content, and incorporate new tools for the course evaluation. The participants included cashiers from the retail sector, small businesses, wholesalers, commercial banks, and cash-in-transit companies, as well as student cashiers in training at technical institutes and the general public.

The course also provides digital brochures and pamphlets containing information on the banknotes' security features, their features to facilitate identification by the

visually impaired, and specific recommendations for exchanging worn or damaged banknotes.

In 2022 we worked in collaboration with the National Chamber of Commerce, Services, and Tourism, which, in addition to promoting the training course among its members, helped diffuse the #UseYourCoins campaign to encourage good practices in cash use.

1,860
People trained

+70
Companies and institutions from different sectors

+ 10,000
Diffusion products delivered digitally

Our police training activities in 2022 were limited to a Forensic Experts Seminar for the Carabineros de Chile, held at our offices and via streaming to all the Regional Specialized Units. The seminar covered highly specialized technical and scientific issues related to the Chilean banknotes.

Thus, the Protect Your Banknotes Program for police was not held in 2022, but we hope to pick it up again in 2023.

Information and inquiries

The website www.billetesymonedas.cl provides practical information on the use of cash money, such as the security measures, instructions on what to do if you detect counterfeit currency, and recommendations on handling banknotes. The website also offers various educational resources for the general public, businesses, and students.

In 2022, the www.billetesymonedas.cl website was visited by 274,207 users, the highest traffic of the last several years.

Another public service offered by the Bank is a channel for people to contact us with questions or inquiries. In 2022, we received over 1,800 inquiries through the Bank's website and telephone service.

Outreach and cultural heritage

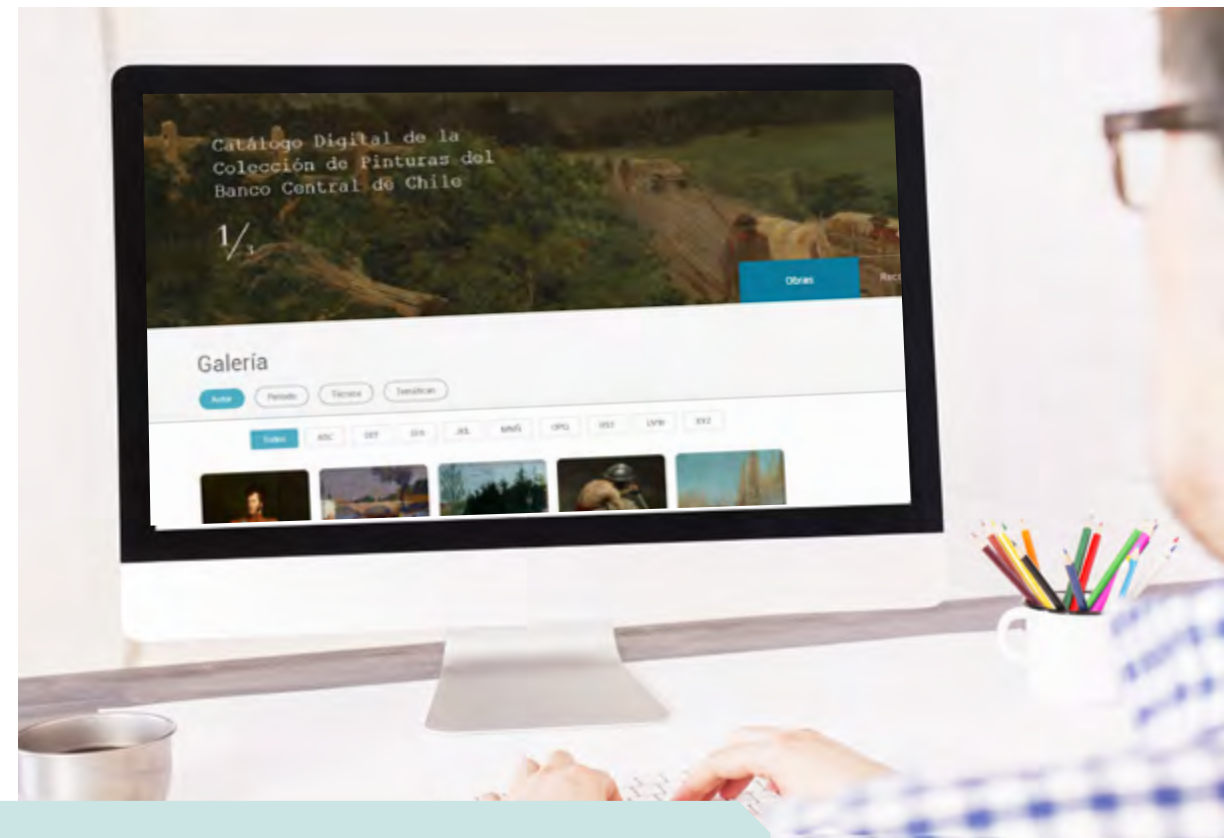
The Central Bank has one of the most complete institutional collections of Chilean paintings in the country, including over 300 works by a hundred national and foreign artists from the mid-nineteenth and early twentieth centuries.

In 2022, we organized two exhibits. The first was held at the Las Condes Cultural Corporation between 8 October and 4 December and featured 14 paintings by Arturo Gordon Vargas, of which seven were facilitated by the CBC. The exhibit drew a total of 3,629 visitors.

The second, a collective exhibit entitled “Observed Nature,” was held at the La Moneda Cultural Center, with a selection of works pertaining to various collections from Chilean public and private institutions. The exhibit displayed 60 paintings by national and foreign artists, including 40 pieces from the CBC. The show was open to the public between September and December 2022 and was viewed by nearly 7,000 people.

A digital catalog of the Bank’s painting collection was launched on our website in 2022, timed to coincide with National Heritage Day. The catalog consists in a web development with 314 works from the collection, with information on the works and artists, which allows people to view the paintings in high-quality, high-resolution digital images.

Also in 2022, the library system was migrated to new software that lets users conduct searches in all the resources and databases to which the library subscribes, both online and print; see the availability of library materials in real time; reserve works; request bibliographic materials; and renew loans.



Heritage Conservation Plan

In 2022, our main investment in the Numismatic Museum was the implementation of the first phase of the technology modernization project, with the installation of four totems containing an updated version of the interactive Design Your Banknote application, for use by visitors.

Additionally, as a security measure, we removed the six gold ingots that were part of the museum exhibit and manufactured replicas to be displayed in the same space.

T E S T I M O N I A L S

I like studying math, but I also like art and audiovisual media. In 2021, a group of us in the class got together to participate in the Economics Up Close contest, and we won. Then in 2022, I was really motivated, and I entered by myself, combining my skills.

Thanks to the Central Bank's financial education workshops and the contest, I know about savings, inflation, real estate investment, and even cryptocurrencies. When I saw that the 2022 contest was about new means of payment, I was immediately hooked.

I submitted a video in which the protagonists are stuffed animals, and where I sing and explain what I imagine payments will look like in the future, what challenges we will face, and what role the Central Bank should play. And, well, I won first place with my story, where I made up a scenario in which the Central Bank created an app that you can use to make payments in any business, and I used it.

For me, the Bank has made a real difference in my life. First, the contest helped me overcome an artist's block, because I was able to draw on several of my academic and creative interests. Second, with all the resources on their website, they taught us to understand financial education issues that I didn't know before. And finally, when I went to Santiago for the awards ceremony, it was a such a great experience, though I was both happy and really nervous.

I think the Central Bank should approach more schools and hopefully work with kids in distant regions like mine. They should motivate more schools to join the contest. I want to thank my teacher for the tools he gave me, because without his dedication, I would never have achieved this.

Bethania Navarrete, age 18.

High school senior. Winner of the 2022 "Economics Up Close" contest, June-senior category.

Liceo Bicentenario Padre Nicolás. Vilcún, Araucanía Region.



"I'm a student who now knows about saving, inflation, and even cryptocurrencies."



06. Internal Operations

- *MT: Sustainable Cash Cycle* 110
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6.1 Sustainable Cash Cycle

Material topic
GRI 3-3



<p>Description</p>	<p>who live in rural areas, and/or people without access to payment cards or digital tokens. Thus, the availability of cash affects the daily lives of a large share of the population, in terms of the possibility of being able to carry out their day-to-day activities.</p> <p>The production of banknotes and coins requires the use of special materials, manufacturing processes, and distribution logistics that are more complex than a normal physical good. Cash circulation and, in particular, the withdrawal of worn or damaged bills and coins, can have a series of environmental impacts that the organization must address.</p>	<ul style="list-style-type: none"> • Storage and distribution system. Information and training program.
<p>The Bank holds the exclusive authority to issue banknotes and coins and is therefore known as the issuing institution. This requires us to carry out an efficient management of these payment means, which implies maintaining a supply that satisfies market demand and timely distribution to the financial system. Additionally, the Bank must remove from circulation any worn or damaged banknotes and coins that have completed their useful life and ensure adequate diffusion of the security features of the different denominations, especially banknotes.</p>	<p>Policies and guidelines</p> <ul style="list-style-type: none"> • Sustainability policy. • Sustainability Strategy. • Permanent monitoring of banknotes and coins in circulation. 	<p>Objective</p> <p>Safeguard the normal functioning of internal payments, providing and protecting the efficient management of the cash cycle.</p>
<p>Impacts</p> <p>While digital payments are making accelerated headway in society, the use of cash money facilitates numerous transactions, especially among underbanked sectors, older people, those</p>		<p>Progress and actions</p> <ul style="list-style-type: none"> • Temporary suspension of the delivery of banknotes to promote the exchange and recirculation of the current stock among banks. • Public service counter. • Know Your Banknotes Program. • Measures to promote the circulation of coins. • Waste management and circular economy.

Cash Cycle in 2022

BC 4

The cash that the commercial banks receive from the Central Bank or that is returned to them by businesses and services or natural persons, is distributed by cash-in-transit companies. These firms provide specialized services for delivering large volumes of cash to bank branches and business premises throughout the country.

At the end of their useful life, the banknotes are withdrawn from circulation by the commercial banks and delivered to the Central Bank, where they are validated and counted prior to their final destruction in automatic processing and elimination machines, under the highest security standards.

01- Production



372 million banknotes
39% polymer
61% cotton



Manufactured in Chile, Malta, and Germany



423 million coins, minted in Chile.

02-Transport



23 containers of banknotes
108 containers of coins

03-Storage and distribution



37 million banknotes distributed to banks via cash-in-transit companies
60% in Santiago
40% in regions
318 million coins distributed to banks via cash-in-transit companies
49% in Santiago
51% in regions

07-Processing and destruction



100% of withdrawn polymer and cotton banknotes processed for new uses as plastic wood or energy for cement production.

41 tons of withdrawn coins converted into other objects.

06-Withdrawal



The CBC withdraws 371 million deteriorated banknotes from the banks



Caja BC

1,8 million banknotes
14,1 million coins, exchanged for the public

05-Use



People use banknotes and coins to buy goods and services.

04-Access



The banks distribute the cash through their network of traditional counters and automated teller machines (ATMs).

Our banknotes and coins

During the year, we carried out various initiatives aimed at maintaining the public's confidence in the currency, based on the community's needs in terms of using this means of payment. This included delivering bills and coins to the commercial banks in accordance with their demand. This implies acting as a wholesale supplier, while the banks act as retail distributors for end users, whether natural persons or businesses.

Between March and December, we suspended delivery, resulting in a reduction of new banknotes. Prior to taking this action, we came to an agreement with the banks to facilitate the exchange and recirculation of the current stock of bills among the banks. This decision was motivated by the high liquidity generated between 2020 and

2021 due to government social supports and pension fund withdrawals implemented in response to the COVID-19 pandemic.

Public service

Our public counter continued providing service primarily for natural persons and small retail business that use cash in their regular transactions (around 170 people per day). The counter served people who, for the most part, exchanged worn or damaged banknotes and broke large bills into smaller denominations, a transaction commonly known as "sencillar" (to change bills) in Chile. Additionally, in a context of loan coin circulation, we continued to accept coins for changing to bills, mainly for small retailers.

Public Counter

1.8 millones
banknotes, equivalent to
\$4,064 millones
in different denominations



has the highest demand
41.300
people served to change bills

14.1 millones
coins, equivalent to
\$2,557 millones
in different denominations



is the most-requested coin
13,893
people served to turn in
their coins



The most common forms of damage to paper currency include burns, stains, wear, and mold.

In 2022 we received 1,360 special cases of bills and coins with greater degrees of damage (38% from Santiago; 62% from regions), which were handled by the General Custody Group and analyzed by our lab of forensic experts. Payments under this heading exceeded CLP 1.687 billion, with an average of CLP 1,240,441 per person. Most of these payments are processed through electronic transfers and cashier's checks.

Cash use survey

At the Central Bank, we monitor the public's payment behavior through the National Survey on Cash Use and Preferences (ENUPE). This annual survey

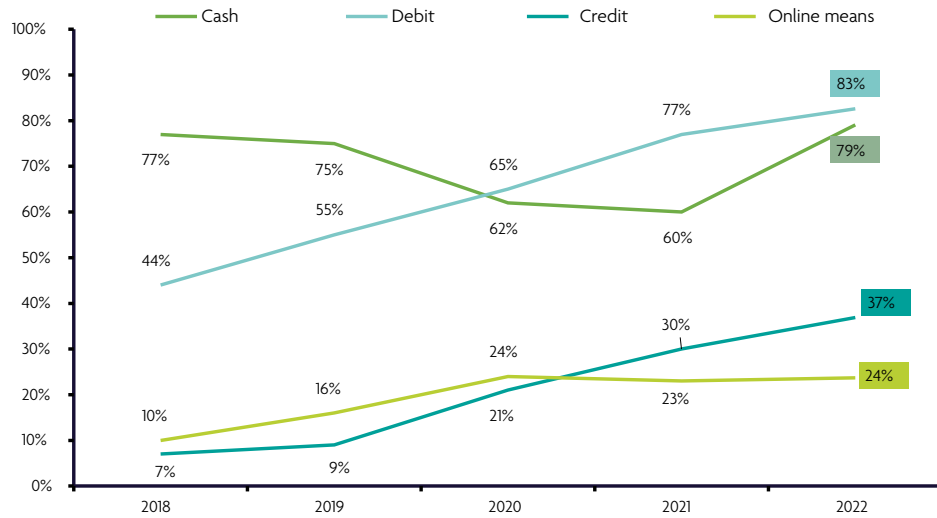
has been carried out for 11 years. The objective was to understand the behavior,

uses, and preferences for cash and other means of payment among the population over the age of 18 in the main cities of the country. In 2022, the ENUPE was once again conducted in person. The main findings are as follows:

1. Debit cards (83%) remain in first place for payment preferences among the local population, beating out cash (79%) for the third consecutive year. However, the gap between the two narrowed considerably in 2022, as the use of cash increased 19 percentage points relative to 2021.

2. The increased use of cash is found in open-air markets (86%) followed by public transportation, mainly in regions (56%). In 2022, the use of cash increased significantly in most business sectors.

Figure: Use of Payment Means: 1-5 times a week / Everyday



Debit card	Cash	Electronic transfers	Credit card
42,9% Prefer it	42,5% Prefer it	8,9% Prefer it	4,7% Prefer it
53% 18 - 29 years	68% +60 years	13% 30-35 years	10% High SES
55% High SES	66% Low SES	10% 18-29 years	8% Center
48% Santiago	56% North		5% Santiago
46% South	54% Center		

3. Debit cards are mostly used in large retailers (69%) and small retail businesses (50%), although in the latter, the share fell relative to previous years.

4. Cash is preferred for making payments under 10,000 pesos, and debit cards are preferred from 10,001 to over 100,000 pesos. The most-mentioned attributes of cash are its acceptance by merchants, convenience, facility, speed of use, and low handling costs. The segments with the highest cash use are people who are over 60, from a low socioeconomic bracket, and in regions outside of Santiago (except the south).

5. In terms of supply, ATMS are the main source for getting cash, with higher satisfaction for larger denominations and considerable gaps in coverage for lower denomination .

6. Looking forward, 27% of people think they will continue using cash as their main means of payment in one year, versus 24% which horizon is extended to five years.

The use of cash as a means of payment has changed significantly over time. Before the pandemic, people's payment preferences and, in parallel, the use of digital payments had a slow growth trend. During the pandemic, there was a sudden forced change in people's payment behavior (ENUPE 2020 and 2021), due to the impossibility of making in-person payments due to the lockdowns and reduced mobility.

The first Payment System Report was published by the Bank in July 2022, describing recent trends in the use of the different payment systems and presenting data from various public and private entities (such as the FMC) The report concluded that as in many countries, the use of cash as a means of payment was decreasing, while the trend and use of electronic payments was increasing.

However, the ENUPE 2022 conducted in December shows evidence that the preference for cash has returned to pre-crisis levels, but without causing the growth of debit cards to slow.

The findings of this last survey—whose trends usually align with the records of what is happening in reality—indicate that cash has not ceased to have a key role in the national payment system.

In fact, it has proved essential for certain segments of society that, for a variety of reasons, have maintained their preference and even dependence on physical money for making their daily transactions.

Coin circulation

In 2020 and 2021, there was a significant shortage of coins due to their lack of circulation, which wound up accumulating in people's homes due to the business closures and lockdowns during the pandemic.

In 2022, with the normalization of activities in towns and cities, coin circulation has gradually picked up. Nevertheless, although coin circulation at year-end was higher than in 2020 and 2021, it is still somewhat sluggish.

The stock of coins issued by the Central Bank over time is very large (over 9.5 billion units). This further justifies encouraging their circulation, over and above the short-

tages seen during the pandemic.

With regard to outflow, coins that are in bad condition, whether due to the passage of time or as a result of physical damage on the surface, are returned to the Central Bank when the commercial banks withdraw them from circulation and when people bring them to the Public Counter to exchange. Worn or damaged coins are validated and accounted prior to being destroyed, which is the end of their cycle.

Close of the banknote cycle

Banknotes that have completed their useful life and are worn or damaged are removed from circulation to maintain the quality of and confidence in the national currency, in an ongoing process performed by the commercial banks. Once received at the Central Bank, the deteriorated bills are authenticated and counted with state-of-the-art equipment, prior to the validation of their payment and final destruction.

At the Central Bank, we are committed to avoiding the generation of waste in the cash cycle, to the extent possible. Mitigating the environmental impact of banknotes and coins is thus part of our Sustainability Strategy Since adopting the first measures in 2017, we have established a process for recycling the money that is withdrawn from circulation and channeling it into new uses.

How we recycle banknotes

	Method of disposal and/or recycling	Type of material discarded and/or recycled	Description of the process
Polymer banknotes	Recycling and processing	Waste from granulated polymer banknotes	Withdrawn plastic banknotes are granulated and, when combined with other polypropylenes in different concentrations, processed into a material with properties similar to natural wood. The so-called plastic wood can be worked with traditional carpentry tools to make floors, roofs, and furniture.
Cotton banknotes	Co-processing	Waste from shredded cotton paper banknotes	Withdrawn cotton banknotes are co-processed as an alternative solid fuel for the production of cement. The contract for this service was awarded to the Polpaico cement company, whose subsidiary, Coactiva, provides industrial waste management services and has a unit dedicated to sustainable waste solutions.
Coins	Smelting	Cast metal	At the end of their cycle, coins are melted down, and the material is reused to manufacture new coins.

Recycled banknotes

	2021	2022
Polymer banknotes	51.34 tons	43.96 tons
Polymer banknotes (co-processed)	34.26 tons	36.28 tons
Cotton banknotes	69.32 tons	204.08 tons
Banknote waste converted into plastic wood	46.18 tons	41.35 tons
Coins		41.00 tons

Logistics Center Project

In 2022, the Bank decided to suspend the Logistics Center Project, taking into account the impacts of the COVID-19 pandemic on the national economy. Key factors in the decision include the intensification of the use of digital payments and the high



At the CBC beach resort, the terraces and stairways are made of recycled plastic wood.

construction costs.

In this context, we undertook an exhaustive reevaluation of the country's cash use needs. Our analysis led to the cancellation of the project under the original specifications.

Based on the new post-pandemic payment scenario and projected cash needs in the medium term, the Bank will develop different initiatives aimed at strengthening the availability of banknotes and coins to the public, on the one hand, and improving the current infrastructure for achieving that, on the other.

6.2 Environmental Management

Material topic

GRI 3-3



<p>Description</p>	<p>Moreover, we see energy efficiency as an opportunity not only for the good use of resources, but also for cost reduction.</p>	<p>Environmental management</p>
<p>Every organization's processes have environmental impacts. Regardless of their business area, their activities use energy and water, they use fuel to transport goods and people, and they generate different types of waste. Consequently, the rational use of resources is crucial for contributing to the fight against climate change, an urgent challenge for humanity.</p>	<p>Políticas y lineamientos</p> <ul style="list-style-type: none"> • Sustainability policy. • Sustainability Strategy. 	<p>One of the priorities of our Sustainability Strategy is the mitigation of the environmental impact of the Bank's operations, with a focus on the following dimensions:</p>
<p>Impacts</p> <p>At the Central Bank, we have identified our main environmental impacts in terms of energy use at our facilities, the carbon footprint of distribution logistics, and waste treatment, including both the waste generated in our daily work and money that is withdrawn from circulation.</p>	<p>Objective</p> <p>To make a positive contribution to the planet, promoting the mitigation of the environmental impacts of our operations.</p>	<ul style="list-style-type: none"> • Energy efficiency. • Carbon footprint reduction. • Waste reduction and reuse. • Reduction of purchased materials. • Responsibility for the impacts of bank-notes and coins . • Promotion of the adoption of sustainability principles among suppliers.
	<p>Progress and actions</p> <ul style="list-style-type: none"> • Update of the environmental aspects of the Sustainability Strategy. • Energy efficiency measures. • Waste management measures and campaigns. • Carbon footprint measure. 	

Energy efficiency

Improving the efficient use of energy is one of the objectives that we have given ourselves as an organization to respond to the challenges posed by climate change. To achieve this objective, we have taken the following actions:

Renewable energy

The unregulated-price contract with the Cerro Dominador solar energy plant remained in force in 2022, ensuring the supply of renewable energy to our facilities. The main benefit is a 20% cost savings in the electricity used by the HVAC-dedicated junction. Furthermore, clean energy consumption accounts for 19.8% of the total electricity consumption in our facilities.

LED lighting systems

In 2022 we switched to LED lighting in 45% of the Bank's office space, installing a total of 376 LED lights in these facilities. We also completely overhauled the street lighting at the Bank's beach resort, replacing the traditional light fixtures with LED technology, which represents 15% of the property's total lighting.

In terms of energy efficiency, the new heating, ventilation, and air conditioning (HVAC) system installed in the Agustinas building has proven to be more efficient than the previous conventional system. An analysis of energy consumption in the building shows a reduction in electricity consumption of about 35%, compared to a year of normal consumption under the old system (2018).

The HVAC modernization project was implemented in 2019 and entered into operation that same year.



Proyecto Cerro Dominador de Grupo Cerro

Electricity consumption by the HVAC system – Agustinas building (kWH)

	2018	2019	2020	2021	2022
Electricity consumption by the HVAC system (kWH)	1,267,700	963,955	828,672	866,915	829,342

Energy Efficiency Project

In the year, we worked on defining a portfolio of projects to be implemented in 2023, including the modernization of the water heating system at the Agustinas building, where the old system of conventional gas water heaters will be replaced with a heat pump system.

A heat pump water system is better than a conventional gas system, because heat pump water heaters are more efficient at converting energy to heat, so they generate lower greenhouse gas emissions per unit of energy used to produce hot water. This increases the total energy efficiency of our facilities and also has a positive impact in terms of our carbon footprint.

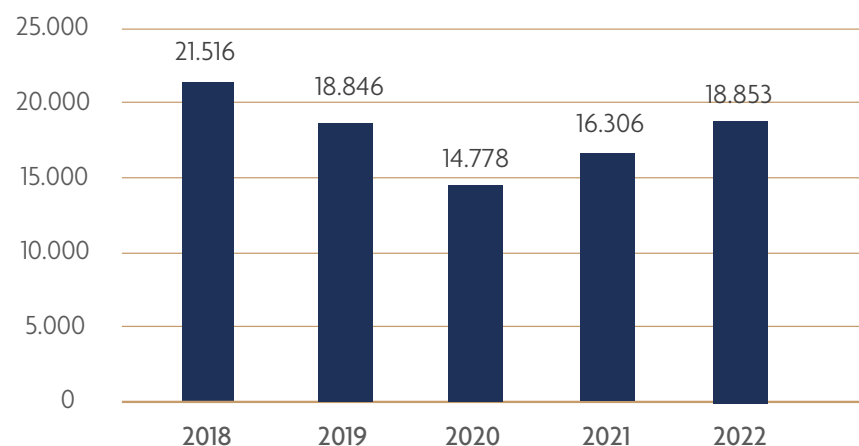
Electricity consumption, calculated in 2022 prices, represents approximately 45% of the Bank's carbon footprint.



Energy consumption within the organization

GRI 302-1

Consumo de energía al año (GJ)



On aggregate, energy demand at the facilities was much lower than normal in 2020 and 2021, because the mobility restrictions and capacity limits on in-person activities resulted in a reduction of energy consumption.

Once these restrictions were lifted and hybrid work was implemented, energy consumption returned to normal, such that 2022 was very similar to 2019. A comparison with 2018 shows that energy consumption has recorded a downward trend in the last five years.

Nonrenewable fuel consumption [GJ]

	2018	2019	2020	2021	2022
Natural gas	2,286	2,132	826	1,149	1,794
Liquefied petroleum gas	1,526	1,465	663	1,098	1,412
Diesel	81	158	172	284	296
Gasoline	441	276	180	242	290
	4,334	4,031	1,841	2,773	3,792

Similarly, for the analysis of nonrenewable fuel consumption, it is advisable to isolate the 2020–2021 period, because, again, the effects of the pandemic cause a distortion due to the mobility and capacity restrictions. Thus, if 2022 is compared with 2018 and 2019, the total use of this type of fuel

decreases, despite an increase in some categories due to greater use of the vehicle fleet.

*[GJ]: gigajoule, a unit of energy equal to one billion joules. One GJ is equivalent to 277.8 kWh and 1.055 million BTU.

Electricity consumption [GJ]

GRI 302-1

	2018	2019	2020	2021	2022
Electricity consumption from conventional sources	17,182	14,815	12,938	13,532	12,075
Electricity consumption from renewable sources	0	0	0	0	2,986
Total electricity consumption	17,182	14,815	12,938	13,532	15,061

An analysis of the annual electricity consumption of the Bank's facilities in 2018 and 2022 reveals a downward trend in electricity use.

Additionally, in 2022, 19.8% of the electricity consumed was from renewable sources, under a system implemented in late 2021. This new energy source represents a lower impact in the carbon footprint of the Bank's operations.

Energy intensity

GRI 302-3

Intensidad energética	2018	2019	2020	2021	2022
Total fuel / Total surface area	0.018	0.017	0.008	0.012	0.016
Total electricity / Total surface area	0.072	0.062	0.054	0.056	0.063
(Fuel + electricity) / Total surface area	0.090	0.079	0.062	0.068	0.079

The intensity of energy use is the ratio between the energy consumed and the surface area of the organization's facilities. In this case, the value of the ratios in 2022 are similar to 2019, which can be considered a year of normal activity.

The 2020–2021 period should be removed from the comparison due to the restricted use of the facilities during the

pandemic. For a better comparison, we use the 2018 data and find that the trend in energy consumption continues to fall.

For 2022, this ratio shows a slight increase, which is explained by the reduction in office space used by the Bank's staff, following the implementation of hybrid work.

LED lighting

Energy intensity	Agustinas building	Constitution Plaza building	Cumming building	Stadium
2018	32%	27%	33%	-
2019	39%	32%	33%	-
2020	55%	32%	33%	67%
2021	Under maintenance	Under maintenance	33%	67%
2022	59%	52%	33%	67%

One of the main actions in the energy efficiency plan is the gradual replacement of the conventional lighting systems with more modern, clean, efficient technologies like LED. This is implemented whenever an area is remodeled or when a unit needs to be replaced at the end of its useful life. At year-end 2022, the system renovation plan has covered over half of the lights in the Agustinas building and the Constitution Plaza building, as well as the stadium.



Carbon footprint

GRI 305-1, 305-2, 305-3

**At the Central Bank,
measuring our carbon
footprint is an
important part of our
Sustainability Strategy.**

Between 2021 and 2022, we measured the Central Bank's carbon footprint for the first time, as established under our Sustainability Strategy. We implemented this initiative with the support of a consulting company in the construction of a mathematical model, in order to make the best possible estimate of the CO₂ emissions generated by the Bank's operations for the three scopes (direct, indirect, and other indirect).

The main inputs considered for the Bank's operations are the banknotes and coins, which are procured and managed throughout the life cycle by the Treasury Division. The transportation of the currency from the place of purchase to the Bank's premises involves land and maritime shipping.

To determine the data on employee transportation, we conducted an internal survey in which we asked people to identify their normal mode of transportation for traveling between the home and workplace, plus the average distance each way (in kilometers) These data were weighted by the workers'

average time in the office. The survey had a response rate of about 30% of the total staff.

Given that this is the first time we have made the calculation, 2022 will be considered the base year, with the goal of monitoring the results on emissions over the coming years.

Carbon footprint scopes (gross emissions in tons of CO₂e)

Scope	2022
Direct GHG emissions (scope 1)	167
Indirect GHG emissions from energy generation (scope 2)	1,410
Other indirect GHG emissions (scope 3)	1,468
Total GHG emissions (scopes 1,2, and 3)	3,045

GHG: Greenhouse gases.

The gases included in the calculation of the three scopes are CO₂ (carbon dioxide), CH₄ (methane), and N₂O (nitrous oxide).

Although in previous periods our carbon footprint was not measured using the established methodology and scopes, it is possible to infer a reduction of at least 25% in the cubic tons of CO₂ emissions produced by our operation due to energy consumption and fuel use.

In sum, the results of our sustainable environmental management are in line with the sustainability strategy. Specifically, we have reduced energy consumption at our facilities, thanks to the streamlining of operations and the implementation of investments and projects to replace equipment and systems, all of which has contributed to increasing efficiency. We have also reduced the quantity of waste generated by the Bank's operations. This, in general, allows us to report a reduction in the Bank's carbon footprint from direct and indirect GHG emissions (scopes 1 and 2).

How were the Bank's GHG emissions calculated?

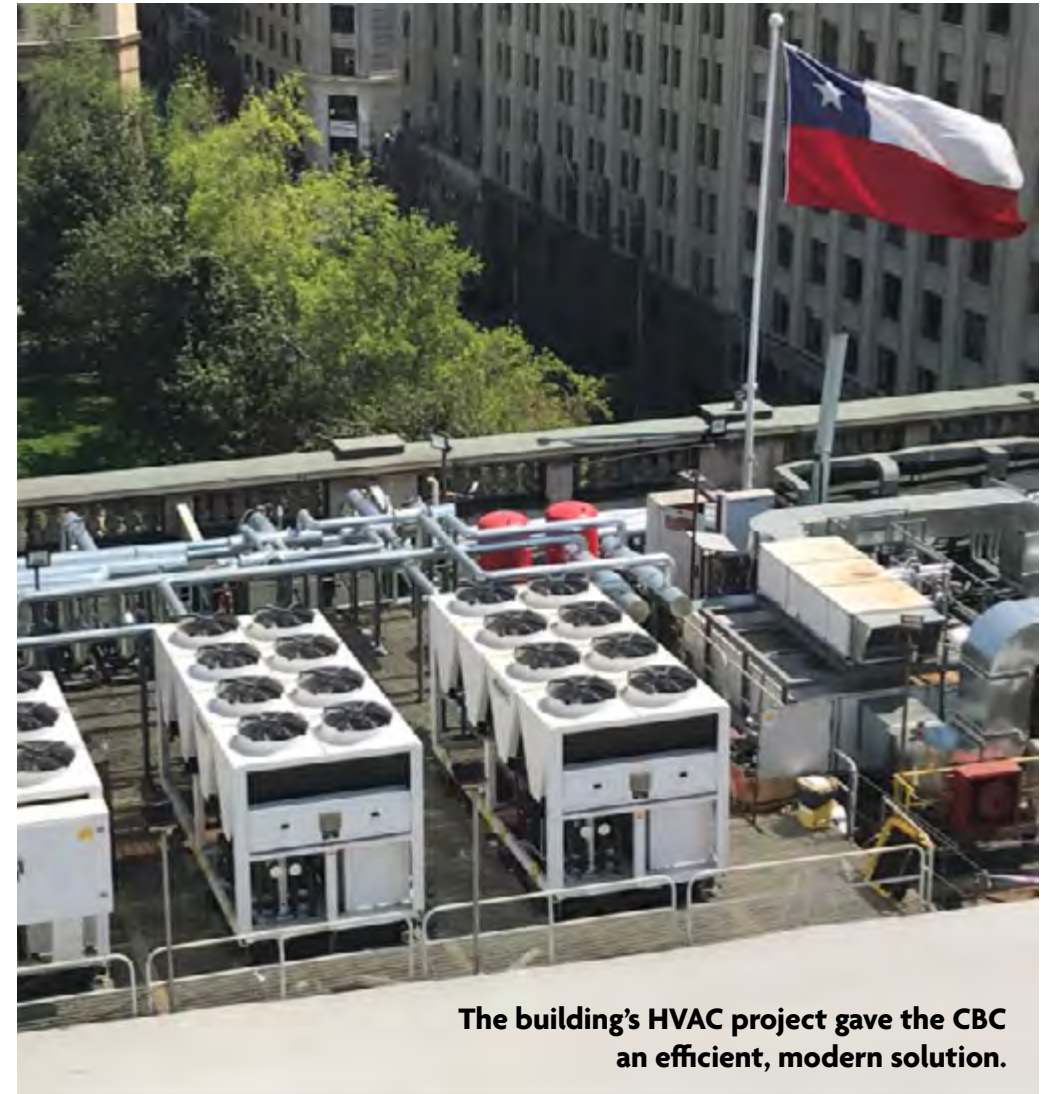
To calculate direct scope 1 emissions, we used information associated with consumption from fixed sources, such as water heaters and generators; from mobile sources, such as the Bank's vehicle fleet; and from fugitive sources, such as the recharging of air conditioners and fire extinguishers.

To calculate indirect scope 2 emissions from energy consumption, we used the kWh consumed from the national power grid system (supplier: Enel) and Cerro Dominador, the solar plant contracted to supply the main junction of the Agustinas building.

For scope 3, we considered the transport of inputs such as bank notes and coins, waste management, national and international business trips by Bank staff (air travel), and employees' commute to and from work.

The estimates are based on the following methodologies and information sources:

- 2006 IPCC Guidelines for National Greenhouse Gas Inventories, based on the national energy balance sheet.
- ICAO Carbon Emissions Calculator
- GHG Reporting: Conversion Factors, 2019
- Min. average energy 2020, national electricity system (SEN)
- Cerro Dominador DIA emissions
- ADEME/Bilan Carbone
- ENVIRA.es / CO2 Equivalentents



The building's HVAC project gave the CBC an efficient, modern solution.

Efficient waste management

GRI 306-2

For several years now, the Central Bank has made a significant effort to efficiently manage the waste generated by our processes, including waste generated by our day-to-day operations and the end of the cash cycle (see the previous section).

We regularly run campaigns to reduce paper and toner use. We also have contracts with third parties to ensure the correct disposal and recycling of grease and oil, cardboard, plastic bottles, other plastics, cans, paper, cotton paper, polymer plastic paper, printer ink and toner cartridges, and glass. Biodegradable materials and construction waste are sent to landfills.

Cotton paper waste is eliminated through incineration with energy recovery, performed by a third party on their premises.

Recycling infrastructure

With regard to areas for collecting materials to be recycled, we made an improvement to the construction waste collection area for the remodeling project in the Morandé Patio (approximately 55 m²), where we marked out an area for the recycling bins for organic material, plastics, cardboard, glass, and aluminum cans. We also bought a hazardous waste storage facility so as to optimize the use of the available storage space in the Agustinas building.

In 2022, the normalization of activities in the Bank implied the generation of 560.22 tons of waste, in total. Compared to 2019, waste generation decreased 13%, with a slight increase in hazardous wastes, due to the larger number of removals associated with equipment renovation and remodeling projects in the period.

Waste generated

(in tons)

GRI 306-3

	2019	2020	2021	2022
Hazardous	0.92	0.66	2.02	2.16
Nonhazardous	644.87	297.92	324.63	558.07
Total	645.79	298.58	326.65	560.22

6.3 Supplier Management

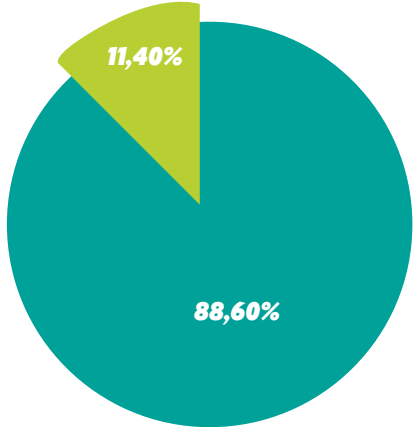
GRI 2-6, 204-1

Our network of suppliers is made up of 851 companies, which provide a variety of services such as the manufacture of banknotes and coins, IT services, food services, security, cleaning, maintenance, infrastructure improvement, help desk, and correspondence.

At the Central Bank of Chile, we define local suppliers as companies that provide services and are located in national territory.

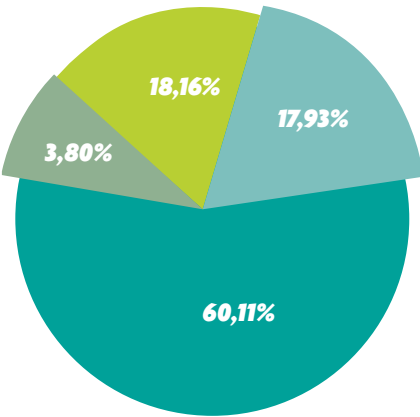
Type of supplier	N°	Amount paid in 2022 (CLP)
National SMEs	678	17,248,807,960
National corporations	76	57,834,521,708
International SMEs	74	3,656,851,542
International corporations	23	17,474,837,030
Total	851	96,215,018,240

Our suppliers



- National suppliers
- International Suppliers

Spending on suppliers



- National SMEs
- International SMEs
- National corporations
- International corporations

Note: Casa de Moneda is a large supplier..

Policies and guidelines

Our relationship with our suppliers is regulated through the Procurement Policy, Contracting Rules for the purchase of goods and services, and Supplier Performance Evaluation Guidelines. We also have Authorization Procedures for Expenditures, Purchases, Contracts, and Subcontracting, which were updated in 2021.

With regard to supply management, we have a new application for monitoring and tracking the annual procurement plan, which follows best practices in this area and is in line with the recently implemented collaborative platforms.

Supplier evaluation

GRI 414-1

The Supplier Performance Evaluation Guidelines contain general assessment criteria on the quality of products or services received, their conformance with the contract or technical specifications, compliance with agreed dates or deadlines, service in terms of attention, willingness, support, and post-sales, guarantees, and timely solutions. For tenders, firms are asked to supply information on their financial statements, affiliation with employee safety institutes, years of experience in the industry, professionals involved, participation on similar projects, certifications, etc. Once the requirements are met, we award the contract to the bid with the lowest total cost.

In terms of sustainability, suppliers must not have any unpaid wages or social security contributions outstanding. To ensure the latter, our procurements area uses the services of a certifying company.

Additionally, for labor-intensive services, we include additional criteria such as an ethical minimum guaranteed wage, gender equity, inclusion of socially vulnerable people, and environmental practices. If a company meets the technical requirements but is weak on these criteria, it receives a lower score or is disqualified.

In 2022 we started a review process to update the Supplier Performance Evaluation Guidelines.

370

new suppliers

4

new suppliers examined based on social criteria (*)

(*) Including the four suppliers with tender processes during the year.

TESTIMONIALS

My family is me, my husband, my three-year-old son, and two nephews that I take care of. This was a difficult year because prices were through the roof, and in a five-person household, any purchase decision affects the pocketbook.

I'm an occupational safety and health officer, but I took a break from my career to take care of my son, and I've taken advantage of this time to start a business making baked goods, chocolates, and hors d'oeuvre for cocktail parties. Prices keep going up, and I also have to contribute to the household.

One day at my son's daycare, which is in the VTF network run by Hogar de Cristo and the National Daycare Board (JUNJI), they told me they were going to have some family financial education workshops by the Central Bank, and I signed up.

The provided notebooks, and we had three online classes, where the majority of us participating were moms and dads who have to manage the family budget.

I can say that back in school, they taught us a little bit about the Central Bank, saying that it was the father of the banks, but now in the workshop I also learned that they control inflation, issue bills and coins, and standardize criteria for the banks' operations.

What most struck me from the workshops was the topic on optimizing family finances, because they gave us an exercise about the weekly shopping at the supermarket. I had to make a shopping list and analyze my behavior when I go to pay for my chosen products.

The Bank is doing really important work by going out to ordinary families like us, especially out in the regions, where we don't often have access to this type of training, from important institutions like the Central Bank. I hope more people with their own small businesses can have an opportunity like this.

Martha Mora, age 33.
Entrepreneur, baked goods and hors d'oeuvre,
Tomé. Biobío Region.



***“He’s like the ‘daddy of banks’
and taught me to optimize
family finances.”***



07. A Committed Team

- **Staff** 130
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- **MT: Employee Well-being** 135
- **MT: Training and Development** 141

7.1 Staff

GRI 2-7

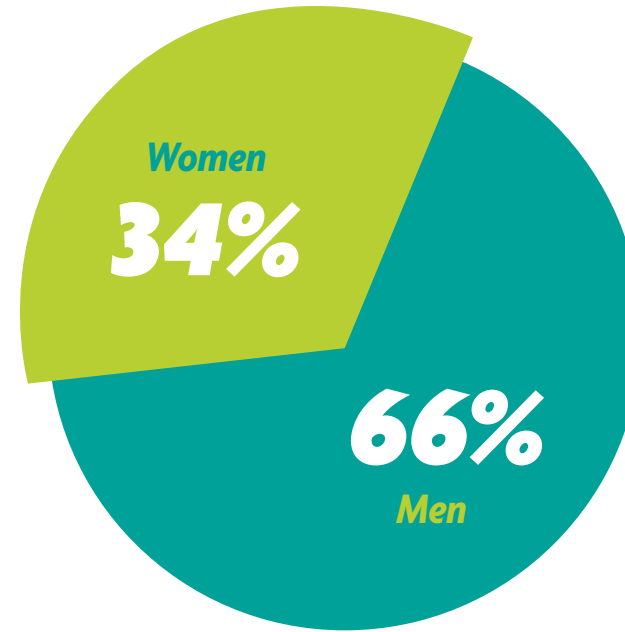
As a public service institution, the Central Bank has a culture based on the values of commitment, excellence, integrity, transparency, respect, and diversity. We hope that everyone who works at the Bank is proud to be doing high-quality meaningful work that contributes to the stability of the economy and, therefore, to the well-being of all Chileans.

Our staff includes a total of 51 foreign nationals, who mainly work in management and leadership positions (25%) or professional and administrative positions (75%). The organization does not have any employees with disabilities.

708



Employees



External employees

GRI 2-8

Las funciones de aseo, guardias de seguridad, personal servicios de alimentación y mantención de infraestructura son realizadas por personal externo, contratado por empresas proveedoras. En 2022, fueron 381 personas.

468



240



467

Permanent contract

1

Temporary contract

100%

Full-time

239

Permanent contract

1

Temporary contract

100%

Full-time

7.2 Diversity and Inclusion

Material topic
GRI 3-3



<p>Description</p>		<p>Objective</p>
<p>Diversity in the workplace is increasingly recognized as essential for having complementary viewpoints that contribute to project development, from perspectives that are representative of modern society. Diversity is understood as having a work environment that brings together people of different ages, gender, sexual orientation, socioeconomic background, nationalities, culture, ethnic groups, and physical and sensory disabilities. As is common in organizations that have gaps in this area, we are seeking to move forward through the development of inclusion and equity policies and programs that drive the necessary changes.</p>	<p>to promote gender equity and the creation of job opportunities for groups of people that have not been a regular presence in the institution. It also implies a cultural change process that contributes to the respectful incorporation of new groups and its active diffusion as a factor for talent attraction. Moreover, the establishment of a diverse group of people in the CBC reflects the transformation that long-standing institutions in the country are capable of achieving, as a model for other public and private entities.</p>	<p>To promote diversity and inclusion as a factor in the growth and maturity of the Central Bank staff, in line with the changes in society.</p>
<p>Impacts</p>	<p>Policies and guidelines</p> <ul style="list-style-type: none"> • Diversity and inclusion Program. • Diversity, inclusion, and non-discrimination as institutional values. 	<p>Progress and actions</p> <ul style="list-style-type: none"> • Incorporation of diversity as a priority for strengthening personnel management under the 2023–2027 Strategy. • Participation in Great Place to Work for Women. • “Proyecto Promociona” Project (to strengthen women’s leadership). • Application of gender equity in our internship and mentoring programs.
<p>Diversity and inclusion management assumes an impact on the composition of the Central Bank’s staff, because it aims</p>		

Promotion of gender equity

GRI 405-1

At the Central Bank, we are convinced that diversity and, in particular, gender equity in work teams contribute significantly to our organization's objectives. We therefore promote the incorporation of more women and the development of women who are already part of the staff, through a series of activities such as the promotion of best practices in hiring and promotion, the development of women leaders, and training on unconscious bias. In 2022, our main initiatives in this area were as follows

Great Place to Work for Women

For the second year, the Great Place to Work (GPTW) survey incorporated a gender focus, recognizing companies and organizations that have implemented policies to increase their employment of women, reduce the wage gap, and promote work-life balance.

This year, the CBC earned second place in the ranking of mid-sized companies, which covers organizations with 251 to 1,000 employees. This represents a rise of three positions relative to our ranking in 2021, and it reflects the ongoing work in this area throughout the Bank.

Internship program

Our internship program, Tu Práctica es Central, is one of our strategies for the early attraction of talent. It is aimed at identifying and attracting young people who bring value to the organization, so that they might go on to be hired later as future Bank employees. With a focus on equity, the program promotes women's participation in the areas of economics, finance, and operations. Thus, in 2022 we brought 46 students into the different areas and divisions of the Bank, 50% women and 50% men. In the last two years, 12% of new hi-

res were high-performing interns, of which 58% were women.

Mentoring

As a promotional and leadership development tool, the Bank offers a mentoring program aimed at professionals, senior professionals, and new managers. This initiative is an important incubator for developing new leaders in our institution, aligned with new leadership models and with our organizational values and culture. In 2022, we invited 50 men and 50 women to participate in the program. Additionally, the program created a network for sharing practices that promote women's leadership in the Bank.

Also in the year, we gave out two scholarships to women on the Bank's team to participate in the "Proyecto Promociona" program, an outside initiative for training

women managers and executives to strengthen their managerial skills, with the objective of filling high-level positions within organizations. The program, held between March and July, included group case analysis, coaching, and network building.



Gender indicators in 2022

Category	Men		Women	
	N°	%	N°	%
Board	3	60%	2	40%
Senior Management	6	55%	5	45%
Middle management	89	67%	43	33%
Professional and administrative	332	64%	189	36%

Women's leadership in the sector

The Official Monetary and Financial Institutions Forum (OMFIF) annually publishes a Gender Balance Index, which evaluates central banks, public pension funds, sovereign wealth funds, and commercial banks.

In its ninth year, the index revealed that, at the world level, 14% of monetary and financial organizations are led by women, including the Governor of the Central Bank of Chile, Rosanna Costa. Thus, our institution rose in the annual ranking, from 92nd in 2021 to 18th in 2022.

Wage equality

GRI 405-2

For years, we at the Central Bank have been committed to ensuring that everyone, regardless of gender, receives equal pay for equal work of equal value. Thus, we currently have only small differences in each job category, which reflect length of tenure in our organization.

Wage gap between men and women, 2022*

Category	Best-paid person	Median of all employees (excluding the best-paid person)	Ratio
Senior management	\$15,643,503	\$17,075,640	92%
Middle management	\$6,655,991	\$7,327,092	91%
Professional and administrative	\$3,340,101	\$3,534,925	94%
Service personnel	\$1,090,586	\$1,230,384	89%

(*) The job categories aggregate groups with different levels of responsibility, which produces margins of difference. In a comparison by job position, there is practically no gender wage gap and/or there is gender equality.

Annual compensation ratio

GRI 2-21

To provide incentives for our employees, we have implemented a compensation plan that establishes the respective criteria for performance-based compensation with targets established for each period.

Annual employee compensation difference

	Best-paid person	Median of all employees (excluding the best-paid person)	Ratio
Total annual compensation	215,436,636	\$40,713,432	5,29
Percentage increase in total annual compensation	5,70%	14,28%	0,39

7.3 Employee Well-being

Material topic

GRI 3-3



<p>Description</p>	<p>In terms of the external impact, the high satisfaction indexes resulting from an inner state of well-being strengthen our institutional reputation and represent an important factor for attracting talent.</p>	<p>Progress and actions</p>
<p>Organizations have become aware that their employees need to be able to balance their work and their personal lives in order to be healthy, to be motivated, and to give their best. Beyond paying market wages, companies also have to manage people's well-being through policies, benefits, and actions aimed at generating incentives for both the people in the organization and potential members.</p>	<p>Policies and guidelines</p> <ul style="list-style-type: none"> • Work-life balance policies. • Compensation policy. • Benefits policy. • Hybrid work standards. 	<ul style="list-style-type: none"> • Score of 82% on the Great Place to Work Annual Climate Survey. • Implementation of hybrid work. • Recognition for “Commitment to integrity” on the values barometer. • Implementation of actions focused on the organizational climate.
<p>Impacts</p>	<p>Objective</p>	
<p>Adequately managing people's well-being has a positive impact on their commitment, motivation, and internal satisfaction, while also strengthening the organizational culture. It also promotes good performance and reduces turnover.</p>	<p>To give people at the Central Bank the conditions to achieve work-life balance, to stay physically and mentally healthy, and thus to give their best to pursuing the institutional objectives.</p>	

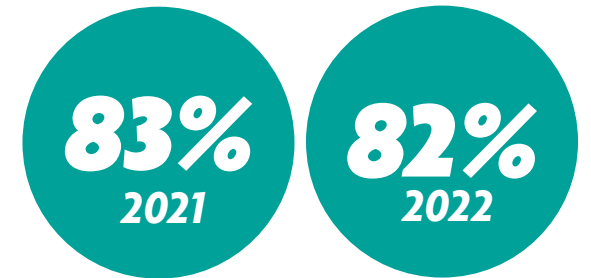
Work Climate and GPTW

For our organization, the internal climate has always been tremendously important in the construction of a culture of excellence and motivation. One way to monitor it is to participate in the Great Place to Work (GPTW) Annual Climate Survey. We scored an 82% positive assessment in 2022, which earned us certification as one of the Best Places to Work in Chile.

What aspects of the climate are measured in the GPTW?

The Great Place to Work model postulates that internal confidence is built through people's positive perceptions of their managers, peers, and the organization as a whole. Most of this work is accomplished by individual managers and their teams, considering the work climate as an overarching factor that promotes job satisfaction and productivity.

The CBC has a continuous improvement model, in which both the institution and the leaders of each unit work on these issues through action plans and programs aimed at maintaining a good work climate.



GPTW Annual Climate Survey score

This year, the people who work at the bank were again highly motivated to participate in the survey, demonstrating confidence that their opinions would be heard. Moreover, we consolidated our positive results with scores over 80 points (Global Index) in all areas, a real achievement considering that many on our staff have been under a lot of pressure at work. The highest scores received were on pride to be part of the Bank, internal ethics and nondiscrimination, sense of country, and excellence in the organization.

Employee health

GRI 403-6

To promote the integral health and well-being of our staff, we have voluntary programs to promote health in the face of physical and nutritional risks. These are the Continuing Sports Medicine program, open to everyone at the Bank, with in-person advisors at the Agustinas and Constitution Plaza buildings and at the Stadium; the Preventive Medicine program; and the Balanced Diet program.



Benefits

GRI 401-2

Every year, we improve the benefit conditions for our staff, so that they feel fairly compensated for their work, and we work to maintain these benefits for everyone who joins the organization.

1 *Life insurance*

2 *Parental leave*

3 *Retirement provisions*

4 *Administrative days*

5 *Compassionate leave*

6 *Christmas bonus*

7 *Sick leave*

8 *Extra Days*

9 *Wedding bonus*

10 *Baby bonus*

Remote work and adaptation to the hybrid model

Following the pandemic, flexible and hybrid work modes—combining in-person and remote days—have led to important changes in how we work, under a modern understanding of people’s behavior. We have thus been able to establish an efficient hybrid system, with the participation of everyone who works at the Bank.

In October, we completed a full year of working under this format with good results, thanks to the reinforcement of digital skills, teamwork, leadership, and flexibility.

Security and treasury were the only areas that had to continue working entirely in person, due to the nature of their main functions.

For a better reconciliation of the hybrid work format, we adapted around 1,900 m² of our infrastructure to be functional for this new work culture, where people have ample space to perform their jobs comfortably and safely.



Flexible work culture initiatives

Flexible hours	Authorization
Talk series	Authorization to stagger arrival times based on need for in-person work (subgroup of positions).
Discussion groups	Virtual talks on quality of life and work-life balance, open to everyone at the Bank.
Remote work survey	Virtual discussion groups on issues related to the health crisis.
Other measures associated with hybrid work	Virtual survey to capture employees’ perceptions of remote work and work-life balance under this work mode.
Otras medidas asociadas al teletrabajo que permanecieron	Provision of equipment and a monetary allowance for people with hybrid work schedules, under guidelines established for that purpose, which were implemented due to the health crisis.

Parental leave

GRI 401-3

Our women employees use their legal right to maternity leave, during which they are temporarily replaced. When they come back to work, they return to their same position.

Men also have a legal right to parental leave, which is five business days.

Sex	N° of employees who were eligible for parental leave	N° of employees who took parental leave	N° of employees who returned after parental leave	% of women who returned out of those who took parental leave	N° of employees who returned and were still employed after 12 months	Return rate among those who took parental leave	Retention rate among those who took parental leave
Women	13	13	13	13	13	100%	100%
Men	0	0	0	0	0	0%	0%

Values barometer

Our values set the tone for everything we do. In 2022, for the third time, we participated in the “Barómetro de Valores e Integridad Organizacional,” a survey measuring people’s perception of how an organization lives its values.

We first participated in 2018, with the objective of managing one of the central pillars of our organizational culture, namely, values and integrity. Since then, we have implemented a series of initiatives in this area, such as training on ethical dilemmas for leaders and internal diffusion campaigns on our values.

In the last round, 66% of our staff responded to the survey. According to the results, we were confirmed on our “Commitment to Integrity.” Furthermore, for the second consecutive year, we were placed in the special category of “Non-business Organizations,” which highlights the work done

by this type of institution to uncover their strengths and areas for improvement in terms of culture and integrity.

Interest in advancing on the environment

On the Values Barometer, issues related to respect for the environment have improved considerably, but people think that we could do more.

We have a sustainability agenda focused on change management and internal initiatives like energy savings, measuring our water footprint, reducing air travel, measuring our carbon footprint, and so on. There is also a lot of interest in generating statistics, such as the measurement of natural capital.

This represents a huge challenge, to be in step with the attraction and retention of talent, because we must not lose our identification as an attractive employer for the new generations.

Collective bargaining agreements

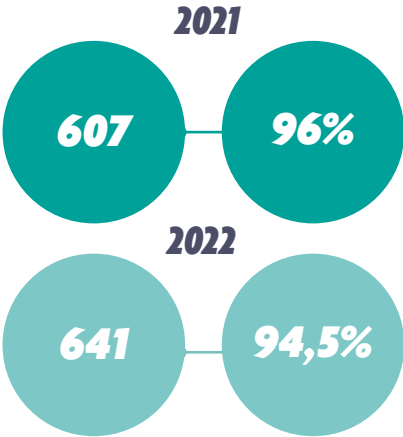
GRI 2-30

The Central Bank Labor Union plays an important role in establishing agreements with management on the working conditions for the staff.

Under the framework of labor relations, people’s expectations are made known, and we work together to establish a set of necessary improvements in their working conditions and wages, as well as work-life balance.

An important aspect is that the union benefits are extended to all nonmanagerial employees, regardless of their union membership status. In the case of managerial positions, benefits are incorporated separately into each individual contract.

Bank employees covered by a collective agreement



7.4 Training and Development

Material topic
GRI 3-3



<p>Description</p>	<p>implies investing in them and in their development. For those who work at the Bank, this means the organization’s appreciation of their present and future contribution, which leads to commitment and motivation, while strengthening their employability.</p>	<p>Progress and actions</p>
<p>In addition to compensation and quality-of-life benefits, people management requires ensuring that employees are up to date and that they have pertinent theoretical and technical knowledge for doing their jobs. At the Bank, we work constantly to give our people access to formal studies, training, workshops, and other development opportunities, so that they will be able to respond to the challenges of a changing environment.</p>	<p>Policies and guidelines</p> <ul style="list-style-type: none"> • Culture management and leadership project. • Promotion of continuing education. 	<ul style="list-style-type: none"> • Mentoring Program. • Leadership Academy. • Central Academy. • English program. • Technical training. • National and international scholarships. • Internships - mobility. • Employer brand and talent attraction.
<p>Impacts</p>	<p>Objective</p>	
<p>In a highly specialized institution like the CBC, it is crucial to have a well-prepared staff who, through their knowledge and skills, conduct the analysis and research necessary to perform the organization’s functions. Having the best professionals</p>	<p>To strengthen the Bank’s value proposition to employees and potential employees, through the execution of a system that supports their comprehensive development.</p>	

Career development

Every year, we develop a strategic talent planning process, to systematically review the main issues related to staff development in the areas, the divisions, and the Bank as a whole. This allows us to define strategies for each division and plans for the year underway, to support the achievement of the strategic objectives.

Every employee is placed on a nine-box grid based on their potential and performance, which is then linked to their Individual Development Plan and the different programs available to reinforce their development, such as national and international scholarships, mentoring, internships, inter-area rotation, etc.

Scholarships

One of the big growth opportunities for our people is the scholarship program for post-graduate studies in Chile and abroad. These work as an internal competition, in which anyone who meets the requirements can participate. Additionally, we offer funding for internships abroad.

Individual Development Plan at 100%

Individual development plans are agreed between employees and their direct boss during the performance feedback conversation, with formal intermediate follow-up over the course of the year. The plan reflects an employee's particular development and future needs, so as to contribute more substantially to the organizational objectives. The plan outlines concrete commitments for each person, as well as the boss's commitment to collaborate on the development plan.

Type	Description	Men	Women
National scholarships	Scholarships for undergraduate or graduate studies in Chile aim to give the Bank's people the necessary tools for facing future work challenges and achieving increasing levels of responsibility, independence, flexibility and mobility.	11	1
International scholarships	Scholarships for pursuing post-graduate studies abroad aim to offer high-performance employees the possibility of studying at the best universities in the world, to gain the necessary tools for their advancement in areas that are fundamental for the Bank's work.	3	1
International internships	These are short-term working visits to collaborate on or research topics of interest to the CBC at other economic research centers or central banks.	1	1

642
people established
their Individual
Development Plan
in 2022

Post-graduate
scholarships promote
people's development
in key areas for the Bank's
current and future
work.







Training

GRI 404-1, 404-2

In 2022 we conducted training on various issues of interest for the Bank's staff, with a focus on their professional and individual development, so as to foster continued excellence.

All the training events had high demand and were developed with the level of rigor and quality expected from our institution.

Educational level of the Bank's staff

	2021	2022
% with a bachelor's degree	6,3%	5,9%
Total		
 2,1%		3,6%
 4,2%		2,2%
% with a master's degree	26,7%	22,3%
Total		
 8,1%		15,0%
 18,7%		7,3%
% with a Ph.D.	6,4%	6,7%
Total		
 1,3%		5,8%
 5,2%		1,0%



Training programs

Tipo	Descripción	N° beneficiarios	% beneficiarios respecto del total
English program	The objective of this program is to deliver the necessary English-language tools so that the Bank's people can achieve their performance objectives and targets, represent the institution in work-related activities, and/or prepare for graduate studies abroad.	101	14,2%
Leadership Academy	The Leadership Academy provides support for leaders, so that they can develop important skills and share experiences, lessons, and good practices with their peers.	155	21,7%
Central Academy	The Central Academy is aimed at all employees throughout the organization. It addresses technical and personal skills for facing the new work challenges raised by the pandemic.	744	104%(*)
Specific programs by unit	These programs provide specific technical and/or adaptive tools that help people achieve the objectives of their current position. Each area defines its own curriculum, in relation to the strategic challenges established in each Division.	299	41,9%

(*) This percentage exceeds 100% because some participants took more than one course and others left the organization.

Hours of training

		People trained	Total hours	Average hours
Sex	Men	512	22.443	43,83
	Women	261	13.630	52,22
Level	Senior management	18	261	14,50
	Middle management	139	5.813	41,82
	Professional and administrative	585	27.951	47,78
	Service personnel	31	2.049	66,10
Total		Total	36.074	46,67



Discussion groups and internal activities

To foster the holistic development of the Bank's people and to create spaces for participation, we conduct a series of internal events and discussions on issues that help us understand the political, social, and economic context in which we live, from the perspective of the institution's leaders.

Activity	Description
Discussion group on the constitutional process	This event featured discussions by Juan Pablo Araya, General Counsel of the Central Bank, and Isabel Aninat and José Manuel Díaz de Valdés, attorneys with expertise in constitutional law.
Lecture “Russia-Ukraine War: The Return of the Geopolitical. The Causes of the Ukrainian Conflict and the Emergence of a New Global Repositioning”	Malgorzata Lange, head of the Bank's International Relations Unit, spoke on the possible global scenarios that could emerge from the conflict between Russia and Ukraine.
2023–2027 Strategic Plan	All staff members were invited to learn about the process for elaborating the Bank's 2023–2027 Strategic Plan and discuss any concerns they may have.
Women and Economics: Notable Careers and Experience at the Central Bank's	Conversation with women who have had a notable career, with participation by Board Member Alberto Naudon.
Women in History: Reflections	Conversation with historians Lucía Santa Cruz and Sol Serrano in the framework of International Women's Day.



Performance evaluation

GRI 404-3

Every year, we conduct a performance evaluation process, which in 2022 included everyone who had worked at least six months in the year and was on the payroll on 31 December. The review sets clear targets for all the people who work at the Bank, with timelines, controls, and feedback aimed at the individual's professional development and the achievement of the institutional objectives.

Categorías	Mujeres		Hombres		Total 2022	
	N°	%	N°	%	N°	%
Alta administración	5	2%	6	1%	11	2%
Gerentes y jefes	38	17%	75	18%	113	18%
Profesionales y administrativos	179	81%	300	71%	479	75%
Personal de servicio	0	0%	39	9%	39	6%
Total	222	35%	420	65%	642	100%

Internship program

Our internship program, Tu Práctica es Central, is an early talent attraction strategy for identifying, attracting, and evaluating the performance and potential of students in technical and professional majors, who meet standards of academic excellence, skills, and values required by the Bank.

The program seeks to discover and train the best young talent, so that they might later be incorporated as future employees, with proven knowledge and performance in line with organizational needs.

A second key objective is to promote diversity and gender equity, because we want to increase the share of women in the organization. At the same time, we want to encourage young women professionals to pursue careers in fields that are traditionally dominated by men, such as economics, finance, information technology, and operations.

Tu Práctica es Central in numbers

46 Student interns in the different areas and divisions of the Bank

23 

female interns

23 

male interns

65%

went on to become part of our talent inventory

40%

of that talent inventory are women

During the year, we incorporated various program improvements, including in-person and remote participation at local and regional job fairs; online application and group evaluations; and greater flexibility in terms of both the timing of the internship and the option of part-time and hybrid work modes.

División	Number of interns		Total
	Men	Women	
Monetary Policy Div.	6	5	11
Financial Policy Div.	5	4	9
Financial Markets Div.	4	3	7
Statistics Div.	5	6	11
Institutional Affairs Div.	0	1	1
Operations Div.	1	1	2
Administration and Technology Div.	1	0	1
Corporate Risk Div.	1	3	4
General Manager's Office	0	0	0
Comptroller's Office	0	0	0
General Counsel's Office	0	0	0
Governor's Office	0	0	0
TOTAL	23	23	46

TESTIMONIALS

I've been with the Bank for 11 years, and my job is to work with a team to generate statistics. From my perspective, the three most important statistics that our area produces are national GDP (gross domestic product), the IMACEC (Monthly Economic Activity Index), and the new regional GDP series, which now have a greater frequency and depth.

Presenting the new series in the regions has been an adventure. We premiered the new statistic in Valdivia, in the Los Ríos Region, on 23 June. From there, we went to the Antofagasta, Araucanía, and Biobío regions. This meant that the teams were traveling in person to the regions, to show how the Central Bank is innovating in its work and reaching new audiences.

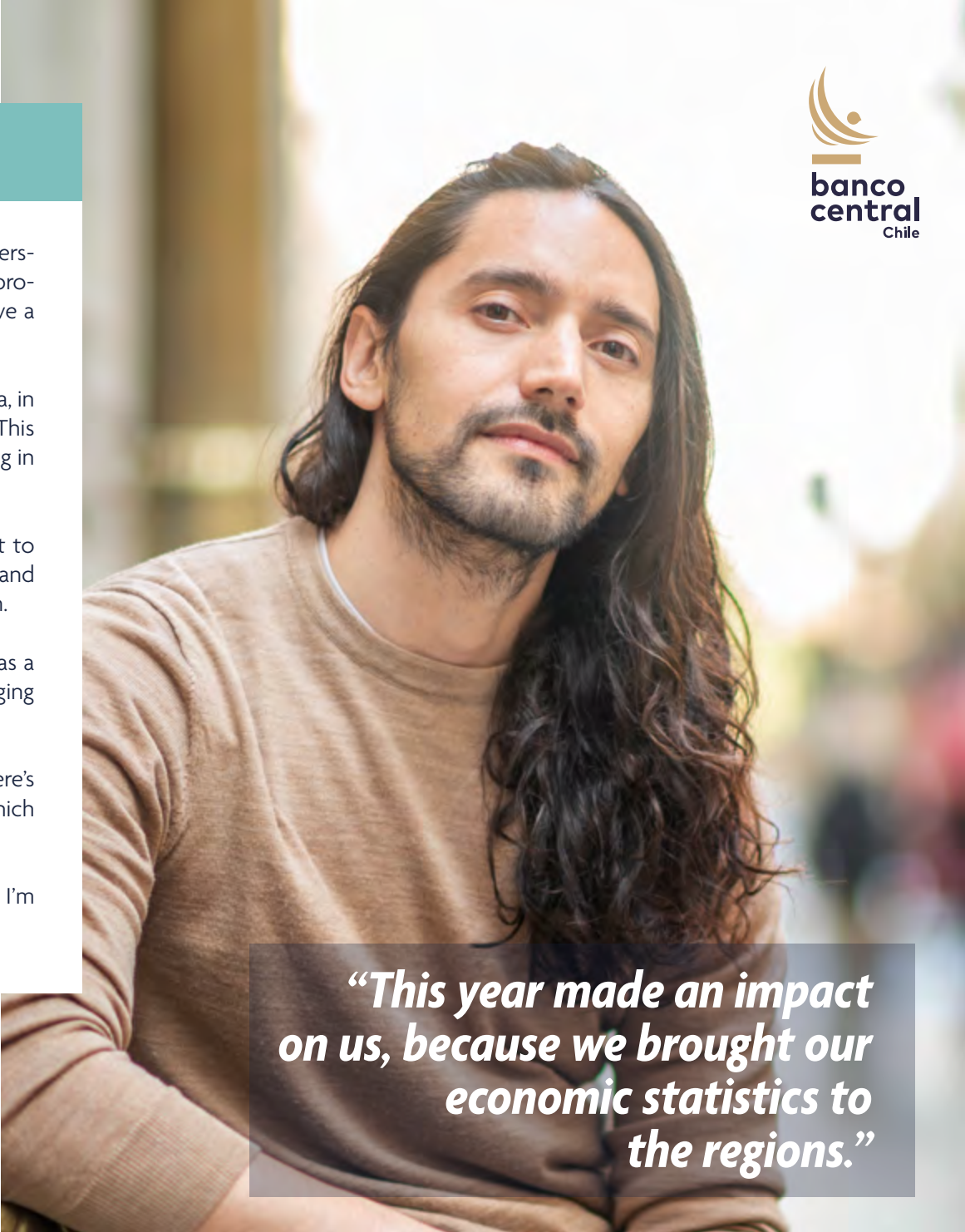
We don't always think about how the statistics we calculate in an office in Santiago can be of interest to others and have an effect on their lives. Going out into the field, we discovered that a lot of professors and academics at regional universities use our statistics for their research and for local knowledge generation.

Regional GDP is now published quarterly, whereas before it was once a year. We realized that there was a need to generate statistics, and to do that, we had to work together with other areas. It's been a challenging but also very satisfying experience.

Since I've been at the Bank for a while, I've noticed the changes in our work culture. For example, now there's hybrid work, there's more diversity on the teams, and we have broadened our vision of our mandate, which affects even the technical issues we address.

I got to present the regional GDP in Concepción, and it made an impact on me. I'm proud to be here. I'm fulfilling my professional goal of working at a public service institution.

Felipe Labrín, age 35.
Economist and MBA,
Reconciliation Group Head,
Macroeconomic Statistics Area,
Statistics Division.



“This year made an impact on us, because we brought our economic statistics to the regions.”



08. About This Report

- *Methodology* **150**
- *Common Acronyms* **156**

8.1 Methodology

GRI 3-1, 3-2, 2-4

This is our fourth Integrated Annual Report, which consolidates information on the organization's economic performance and its environmental, social, and governance performance.

The report is prepared annually and covers the period from 01 January to 31 December 2022.

Our 2022 Integrated Annual Report uses the framework proposed by Integrated Reporting, which advocates for a comprehensive communication of how the organization's strategy, corporate governance, performance, and outlook, in the greater context of its surroundings, lead to the creation of value in the short, medium, and long terms, taking into account its main stakeholders and minimum impacts.

The methodology used to determine the material topics and report on the management and performance of the Central Bank of Chile is from the 2021 Global Reporting Initiative (GRI), which emphasizes the organization's sustainability impacts and was applied by an interdisciplinary internal and external team.

This report does not contain any restatements of information presented in previous years.

Determination of material topics

GRI 3-1

To define the key priorities and structure of this report, we conducted a material topic identification exercise based on the 2021 GRI methodology, which has four phases.

Phase 1:

Understanding the organization's context

- (a) Benchmark of good practices, including three other central banks.
- (b) Review of internal CBC material.
- (c) Media analysis.
- (d) Review of international finance and sustainability standards and documents.

Phase 2:

Identification of the actual and potential impacts

- (a) 23 online interviews with the Bank's top executives, including the CBC Governor, Deputy Governor, and Board Members.
- (b) Interviews with five external experts on economics, finance, and sustainability.

Phase 3:

Assessment of the significance of the impacts

(a) The material topics were presented to the team leading the reporting process and to Central Bank managers for their evaluation, based on their significance for the organization.

Phase 4:

Prioritization of the most significant impacts for reporting

(a) Finally, the material topics were reviewed and approved by the General Manager of the Central Bank of Chile.

Material topics

GRI 3-2

As a result of the identification process, nine material topics were defined for 2022, which have been renamed and regrouped to improve the reporting approach.

2021 Material topics	2022 Material topics
<ol style="list-style-type: none"> 1. Monitoring the economic and financial effects of climate change. 2. Financial education. 3. Knowledge and adoption of new disruptive technologies. 4. Sustainable cash cycle. 5. Sustainable environmental management. 6. Employee health and well-being. 7. Diversity and inclusion. 8. Training and development. . 	<ol style="list-style-type: none"> 1. Monitoring the economic and financial effects of environmental and social variables. 2. Financial education. 3. Knowledge and adoption of disruptive technologies. 4. Sustainable cash cycle. 5. Environmental management. 6. Employee well-being. 7. Diversity and inclusion. 8. Training and development. 9. Transparency, ethics, and information security.

8.2 GRI Content

Index GRI 1

Category	Code	Content	Page	
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	2-1	Organizational details.	2	
	2-2	Entities included in the organization's sustainability reports	2	
	2-3	Reporting period, frequency, and contact point	2	
	2-4	Restatements of information	150	
	2-5	External assurance	155	
	2-6	Activities, value chain, and other business relationships	52	
	2-7	Employees	130	
	2-8	Workers who are not employees	130	
	2-9	Governance structure and composition	25, 32	
	2-10	Nomination and selection of the highest governance body	25	
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	2-13	Delegation of responsibility for the management of impacts	29	
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	GRI 2: General disclosures	2-15	Conflicts of interest	42
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Transparency, ethics, and information security

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Monitoring the economic and financial effects of environmental and social variables

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Knowledge and adoption of disruptive technologies

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Educación financiera

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Sustainable cash cycle

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GRI 414: Supplier Social Assessment	414-1	New suppliers that were screened using social criteria	127

External Assurance



Independent Accountant's Report

We have been contracted by the Central Bank of Chile (henceforth "the Bank") to report and express an independent limited assurance conclusion on whether the evaluation of the 22 ESG indicators in the Bank's 2022 Integrated Annual Report (henceforth "the Report") meets the Global Reporting Initiative (GRI) standard for sustainability reporting in all significant aspects under ISAE 3000 for the year ended on 31 December 2022.

This limited assurance covers the following ESG indicators in the 2022 Integrated Annual Report:

Assured indicators		Assured standard
2-6	Activities, value chain, and other business relationships	GRI standard
2-7	Employees	GRI standard
2-8	Workers who are not employees	GRI standard
2-9	Governance structure and composition	GRI standard
2-23	Policy commitments	GRI standard
2-26	Mechanisms for seeking advice and raising concerns (qualitative information)	GRI standard
2-27	Compliance with laws and regulations	GRI standard
2-28	Membership associations	GRI standard
2-29	Approach to stakeholder engagement	GRI standard
3-2	List of material topics	GRI standard
204-1	Proportion of spending on local suppliers	GRI standard
302-1	Energy consumption within the organization	GRI standard
306-3	Waste generated	GRI standard
404-1	Average hours of training per year per employee	GRI standard
404-3	Percentage of employees receiving regular performance and career development reviews	GRI standard
405-1	Diversity of governance bodies and employees	GRI standard
405-2	Ratio of basic salary and remuneration of women to men	GRI standard
CBC 1	Financial education projects	Own content
CBC 2	Natural and climate agenda	Own content
CBC 3	Technology Observatory, FinLab, and TechLab	Own content
CBC 4	Disposal method for withdrawn banknotes and coins	Own content
CBC 5	Work climate	Own content

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Santiago
Av. Presidente Riesco 5685,
piso 15, Las Condes

The Bank's Responsibilities

The Bank confirms that the Division Management of the Operations Division and the Institutional Affairs Divisions are responsible for the 2022 Integrated Annual Report and the information contained therein.

We conducted our work on the basis that the Bank recognizes and understands that the Division Management of the Operations and Institutional Affairs Divisions is responsible for:

(a) The presentation of the 22 ESG indicators in the 2022 Integrated Annual Report included in the Assurance Work, in compliance with the Global Reporting Initiative (GRI) standard for sustainability reporting.

(b) The preparation and fair presentation of the statement indicating that the 22 ESG indicators in the 2022 Integrated Annual Report included in the work are in compliance with the Global Reporting Initiative (GRI) standard for sustainability reporting.

(c) The design, implementation, and internal controls that General Management and the Division Management of the Operations and Institutional Affairs Divisions determine is necessary to ensure compliance with the GRI standard and that the Report is free from material misstatement and noncompliance whether due to fraud or error.

(d) The prevention and detection of fraud and the identification of and assurance of the Bank's compliance with laws and regulations applicable to its activities;

(e) The process of ensuring that the Division Management of the Operations and Institutional Affairs Divisions and the personnel involved in the preparation and presentation of the information subject to the Assurance Work have the adequate training, that the systems are adequately up to date, and that any change in the pertinent information on the Assurance Work includes all the significant business units. This responsibility also includes informing us of any change in the Bank's operations between 1 January 2022 and the date of issue of our conclusion.

Our Responsibility

Our responsibility is to issue an independent limited assurance that the 22 ESG indicators in the 2022 Integrated Annual Report included in the Assurance Work are in compliance with the Global Reporting Initiative (GRI) standard for sustainability reporting in all significant aspects under ISAE 3000.

We comply with the independence and other ethical requirements contained in the Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants, which are founded on the fundamental principles of integrity, objectivity, professional competence, due care, confidentiality, and professional conduct; and we apply quality control procedures applicable to individual work in accordance with the International Standard on Quality Control 1: "Quality Control for Firms that Perform Audits and Reviews of Financial Statements and other Assurance and Related Services Engagements (ISQC 1)." Accordingly, we plan and conduct our work to obtain an independent limited assurance. On that basis, we confirm that we have executed the work commissioned by the Central Bank of Chile independently and without conflicts of interest.

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The scope of an independent limited assurance is substantially narrower than a reasonable assurance, so the assurance provided is also less.

Our procedures are based on our professional judgment and include interviews, observation of processes, analysis of documentation, analytical procedures, and testing on a sample basis, as described below:

- Interviews with key management personnel of the Central Bank of Chile, in order to assess the preparation process, content definition, and information systems used in the Assurance Work.
- Verification of the data disclosed in the Assurance Work based on supporting documentation supplied by Management. However, our procedures did not include testing the data on which the estimates are based or developing our own separate estimates to compare against those of the Central Bank of Chile.
- Analysis of the collection processes and internal control of the quantitative data reflected in the Assurance Work.
- Verification of data reliability using analytical procedures, testing on a sample basis, and the review of calculations based on recalculations.
- Review of the text and design of the 2022 Integrated Annual Report that contains the Assurance Work.

The procedures carried out for a limited assurance vary in nature and timing and are less extensive than for a reasonable assurance. Therefore, the level of assurance is substantially lower than if a reasonable assurance had been performed.

Objective of our report

In accordance with the terms of our work, this assurance report has been prepared for the Central Bank in order to help the Division Management of the Operations and Institutional Affairs Divisions determine whether the ESG indicators in the 2022 Integrated Annual Report included in the Assurance Work, which are subject to the limited assurance, are prepared and presented in accordance with the Global Reporting Initiative (GRI) standard for sustainability reporting in all significant aspects under ISAE 3000.

Restrictions on the use of the report

The Central Bank of Chile confirms that the users of its 2022 Integrated Annual Report and our assurance reports on the ESG indicators in the 2022 Integrated Annual Report are the Bank's management, Board, employees, and suppliers.

Any party other than the "Users" mentioned in the above paragraph, who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at their own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the "Users" for our work, for this independent limited assurance report, or for the opinions we have reached.



Our report is released to the Central Bank of Chile on the basis that it shall not be copied, referred to or disclosed, in whole or in part, without our prior written consent. We consent to a copy of our report, in whole and not in part, being disclosed for the Central Bank of Chile's own internal purposes and for the purpose of informing third parties that the reported contents have been verified by an independent third party.

Our Conclusions

Our reasonable assurance opinion has been formed on the basis of the matters outlined in this report.

In our opinion, the evidence that we have obtained is sufficient and appropriate to support the following conclusion.

Based on the work we have performed and the evidence we have obtained, described above, nothing has come to our attention that causes us to believe that the 22 ESG indicators in the 2022 Integrated Annual Report, for the year ended on 31 December 2022, have not been properly prepared and presented, in all material respects, in accordance with the Global Reporting Initiative (GRI) standard for sustainability reporting in all significant aspects under ISAE 3000, including data reliability, adaptation of the information presented, and the absence of material deviations and omissions.

Cordially,

Karin Eggers G.
Socia ESG

8.2 Common Acronyms

A

ACC: Audit and Compliance Committee

B

BDE: statistics database

BCA: Basic Constitutional Act

C

CBDC: Central Bank digital currency

CBTC: Central Bank Transparency Code

CC-VP: special program involving spot purchase and forward sale of bank bonds

CCR: Countercyclical capital requirement

CEF: Chilean Financial Stability Board

CNCI: Compendium of Foreign Exchange Regulations

CNF: Compendium of Financial Regulations

E

ESSF: Economic and Social Stabilization Fund

F

FCIC: Conditional Financing Facility for Increased Loans

FCCIC: Federal Capital Credit Insurance Corporation

FEM: Formal Exchange Market

FMC: Financial Market Commission

FPM: Financial Policy Meeting

FRD: Financial Risk Department

FSAP: Financial Sector Assessment Program

FSB: Financial Stability Board

FSR: Financial Stability Report

FSSA: Financial System Stability Assessment

G	GBL: General Banking Law
I	IDIS-TR: Integrated Derivatives Information System IIA: Institute of Internal Auditors IMACEC Monthly Economic Activity Index IPoM: Monetary Policy Report IR: International Reserves ITC: Information Technology Committee
L	LCL: Liquidity Credit Line LVCH-FX: Large-value clearing house in foreign currency
M	MPM: Monetary Policy Meeting MPR: Monetary policy rate
N	NDF: Non-delivery forwards NGFS: Network for Greening the Financial System
O	ORD: Operational Risk Department
P	PDBC: Central Bank discount notes PRF: Pension Reserve Fund
R	RCH: Low-value (retail) clearing houses Repo: Repurchase agreement RTGS: Real-time gross settlement
S	S&Ls: Saving and loan associations SDR: Special drawing rights SOMA: Open Market Operations System SLL: Short-term Liquidity Line





09. Appendixes

- ***Appendix 1: Central Bank of Chile's Balance Sheet*** **159**
- ***Appendix 2: International reserves*** **168**
- ***Appendix 3: Sovereign Wealth Funds (ESSF and PRF)*** **182**

Appendix 1: Central Bank of Chile's Balance Sheet

Balance sheet levels and structure¹

The behavior of the economy and the financial system, and the policies adopted by the Central Bank of Chile (CBC), affect the size and composition of the Bank's balance sheet, which, in turn, affects earnings and losses.

In 2022, the Bank continued to implement measures to support the flow of credit. In particular, the following measures were implemented:

i. The Liquidity Credit Line (LCL) ended on 30 March 2022. Almost all of the line (CLP 3.919 trillion) was transferred to the FCIC1, which ends on 30 March 2024.

ii. On 1 July 2022, the credit line for nonbank lenders (NBLs) in the

FCIC2 program ended, for a total de CLP 36.9 billion.

Additionally, in the third quarter of 2022, the Bank implemented a foreign exchange intervention program. The program considered spot dollar sales of up to USD 10.0 billion and the sale of currency hedging instruments (NDF) of up to USD 10.0 million. The Bank further implemented a preemptive dollar liquidity provision program involving currency swaps of up to USD 5.0 billion, complemented by a peso liquidity program based on repos. The programs were in effect from 18 July 2022 and 30 September 2022, with rollovers of the current stock under the bank hedging instrument sales program through the first half of 2023.

Consequently, there were total spot dollar sales of USD 6.15 billion, currency hedging operations of up to USD 9.95 billion, and dollar swap sales of USD 201 million. At year-end 2022, the current NDF stock was USD 9.11 billion.

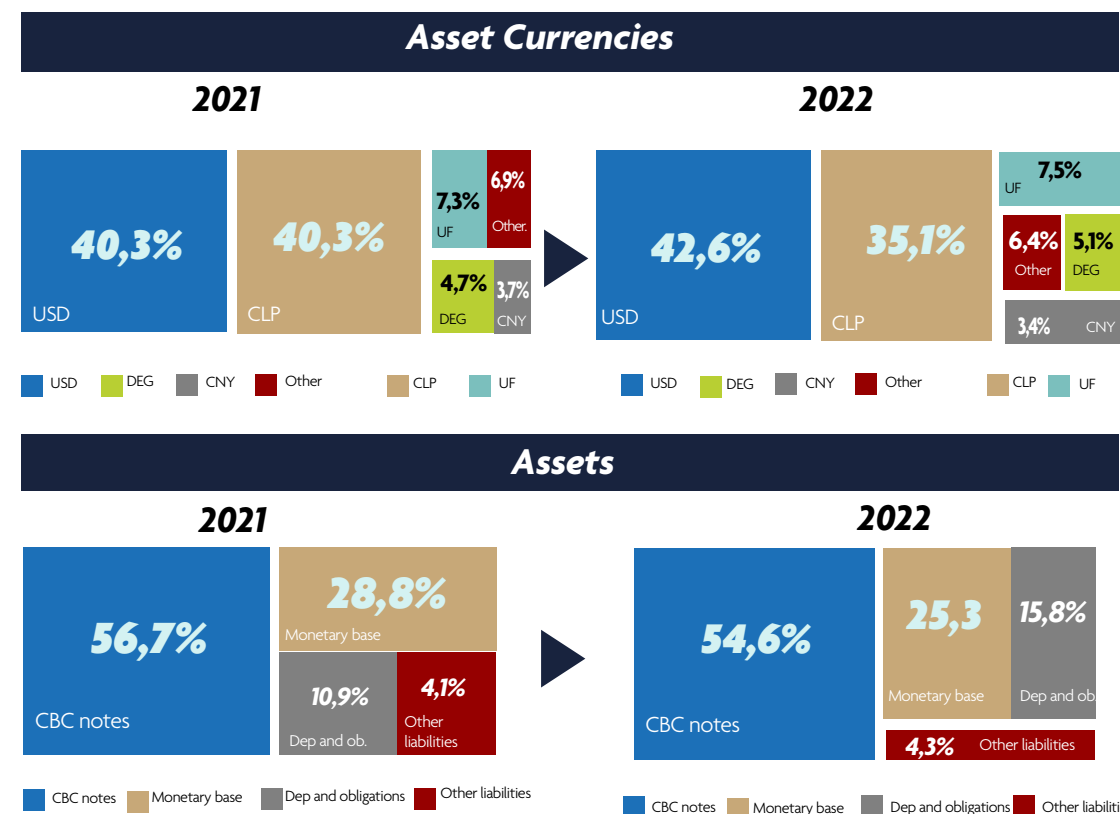
In this context, the spot dollar sales reduced the stock of international reserves and, therefore, the size of the balance sheet. The balance sheet, measured in pesos, decreased 13% in 12 months or, in GDP terms, from 32.8% in December 2021 to 26.2% in December 2022.

With the reduction of the international reserves, the composition of assets on the balance sheet also changed. At year-end 2022, 49.0% of assets corresponded to international reserves, versus 55.3% in December 2021. The reduction in international reserves is largely explained by the spot dollar sales, a lower balance in the cash portfolio, and a lower the market value of the reserve assets, due to increases international interest rates and the appreciation of the U.S. dollar against the other currencies in the reserve portfolio. Assets denominated in local currency were practically unchanged in terms of amount.

¹ The balance sheet is prepared in accordance with International Financial Reporting Standards (IFRS). See the Financial Statements (note 2(a)).

The composition of liabilities on the balance sheet also changed. In particular, the monetary base decreased as a share of total liabilities, from 28.4% to a 25.3%, while the share of CB notes and policy instruments (short-term debt, PDBC) declined from 56.7% at year-end 2021 to 54.6% at year-end 2022. The fall in the monetary base is explained by the reduction of banknotes and coins in circulation, as well as lower peso deposits by the commercial banks to constitute additional reserves (reserva técnica). The drop in monetary policy instruments (mainly PDBC) is, in turn, largely explained by a substitution effect with other monetary policy liabilities with commercial banks, particularly the standing deposit facility, which grew to 15.8% of total liabilities in 2022, up from 10.9% at year-end 2021.

Changes in the Asset and Liability Composition of the CBC Balance Sheet (percent of total assets and liabilities)



As a result of the change in the asset-liability structure, there were changes in the composition of risk and in the income and expense structure. On the asset side, at year-end 2022, the drop in international reserves reduced exposure to foreign currency assets, leaving the balance sheet less exposed to exchange rate fluctuations.

On the liability side, the cost of issuing PDBC's increased in 2022, in line with the evolution of the MPR. The higher cost of PDBC's was one of the main determinants of the evolution of the Bank's equity in the period.

Table 1.1
Central Bank Balance Sheet

(billions of CLP and % of GDP, on 31 December of each year)

Tasas de rentabilidad (%) (1)

	2021		2022		2021		20212	
	Saldos	% PIB	Saldos	% PIB (2)	Interés	₪ valor	Interés	₪ valor
Assets	78,870	32.8	68,721	26.2	0.9	8.0	1.0	0.9
International reserves	43,643	18.1	33,653	12.8	0.9	15.3	1.2	-0.2
Other assets with public sector	351	0.1	315	0.1	0.0	10.7	0.0	13.2
Monetary policy instruments	0	0.0	19	0.0	2.4	0.0	1.2	0.0
Investments in local assets (4)	5,591	2.3	4,922	1.9	2.2	3.7	2.8	11.1
Credit to financial institutions (5)	28,963	12.0	28,930	11.0	0.5	0.0	0.5	0.0
Other	323	0.1	881	0.3	0.9	-45.5	0.5	15.7
Liabilities	75,619	31.4	69,745	26.6	0.8	0.2	5.8	0.2
Monetary base	21,456	8.9		6.7	0.1	0.0	0.5	0.0
Monetary policy notes (6)	42,840	17.8	38,064	14.5	1.2	0.1	8.7	0.1
Other monetary policy liabilities (7)	4,549	1.9	9,583	3.6	0.8	0.0	7.3	0.0
Current accts. and bank reserves in foreign currency	3,641	1.5	1,449	0.6	0.0	0.0	0.0	0.0
Treasury and other public sector deposits	0	0.0	0	0.0	9.2	0.0	5.1	0.0
Other	3,132	1.3	3,007	1.1	4.8	6.8	4.7	4.2
Equity	3,252	1.4	-1,024					
Opening capital	-2,247		3,417					
Other reserves (10)	-165		-1,499					
Net result	5,664		-2,942					
Nonfinancial result	-128		-147					
Net interest (8)	298		-3,852					
Changes in value (9)	5,494		1,057					
Capital contributions	0		0					

(1) Implied rates calculated from accounting records of the flow of income/expense (losses/gains from interest or changes in value) over average annual stocks or balances of asset and liability line items.

(2) Nominal GDP for 2022, according to the CBC SDB, published on 20 March 2023.

(3) Includes loans to banks guaranteed with risk-free documents (repos), liquidity lines in national currency, and swaps.

(4) Includes investments in bank bonds, time deposits, and CC-VP.

(5) Includes LCL credit lines, FCIC-1 and FCIC-2 (FOGAPE and OCNB), and FCIC-3.

(6) Includes PDBC, BCP, PRC, ZERO UF, and BCU.

(7) Short-term remunerated bank deposits in domestic and foreign currency. Foreign currency deposits, except daily deposits, guarantee credits in domestic currency (note 3).

(8) Interest rate differential between assets and liabilities.

(9) Includes price-level restatements in domestic currency and the effect of exchange rate fluctuations on assets and liabilities in foreign currency.

(10) In 2022, other reserves correspond to other comprehensive income. See the Statement of Changes in Equity in the 2022 Financial Statements.

Source: Central Bank of Chile.

Evolution of assets and liabilities

Measured in pesos, total assets decreased by CLP 10.149 trillion. As a share of GDP, assets declined from 32.8% to 26.2% between 2021 and 2022 (Table 1.1). International reserves contracted CLP 9.990 trillion, due to the combined effect of the sale of international reserves (CLP 5.600 trillion) and outflows from the reduction of the cash portfolio and the FLAR capital contribution (CLP 2.611 trillion). In the period, there were also losses associated with changes in value due to the interest rate hikes, sales, and other net income of CLP 2.188 trillion. These results were partially offset (CLP 409 billion) by the depreciation of the local currency (which is the result of measuring in pesos the value of assets denominated in foreign currency). Taken together, assets in local currency decreased.

by CLP 717 billion, due to the maturing of bank bonds (CLP 1.170 trillion), value increases associated with market interest rate fluctuations and the increase in the UF (CLP 502 billion), and a reduction in other operations (CLP 49 billion). Finally, other assets increased by CLP 558 billion, mainly due to the Central Bank's membership in FLAR.

Total liabilities, excluding equity, decreased by CLP 5.874 trillion in 2022, in relative terms reaching 26.6% of GDP (versus 31.5% in 2021). The largest reduction was in monetary policy instruments, which contracted CLP 4.776 trillion, explained by a drop in the PDBC balance of CLP 4.411 trillion and a reduction in long-term debt of CLP 365 billion. The monetary base decreased by CLP 3.815 trillion, mainly due to the reduction in cash (CLP 3.608 trillion) and in current account balances for additional

reserves (reserva técnica) and bank current accounts (CLP 207 billion). Additionally, the balance of other monetary policy liabilities (standing deposit facility) increased by CLP 5.034 trillion. The reduction in the stock of PDBC's was offset by the increase in the standing deposit facility, which reflects the banks' liquidity management toward the end of the year.

² Corresponde a recursos que los bancos comerciales depositan en el Banco Central, por lo general exigibles a un día de plazo.

Finally, current accounts and bank reserves in foreign currency decreased by CLP 2.192 trillion due to lower deposits by the commercial banks.

At the close of the period, the bank had negative equity of CLP 1.024 trillion, reflecting

an opening equity balance of CLP 3.417 trillion, other reserves of CLP –1.499 trillion, and a net loss in 2022 of CLP –2.942 trillion. The latter was explained by net interest payments of CLP 3.852 trillion and nonfinancial costs of CLP 147 billion (mostly personnel and administrative expenses), and currency

issuance and distribution costs.

This was partially offset by increases in the value of assets and liabilities measured in local currency (mainly due to the increase in the UF and exchange rate fluctuations) of CLP 1.057 trillion.

Figure 1.1
Central Bank of Chile Assets (Balances)
(billions of CLP)

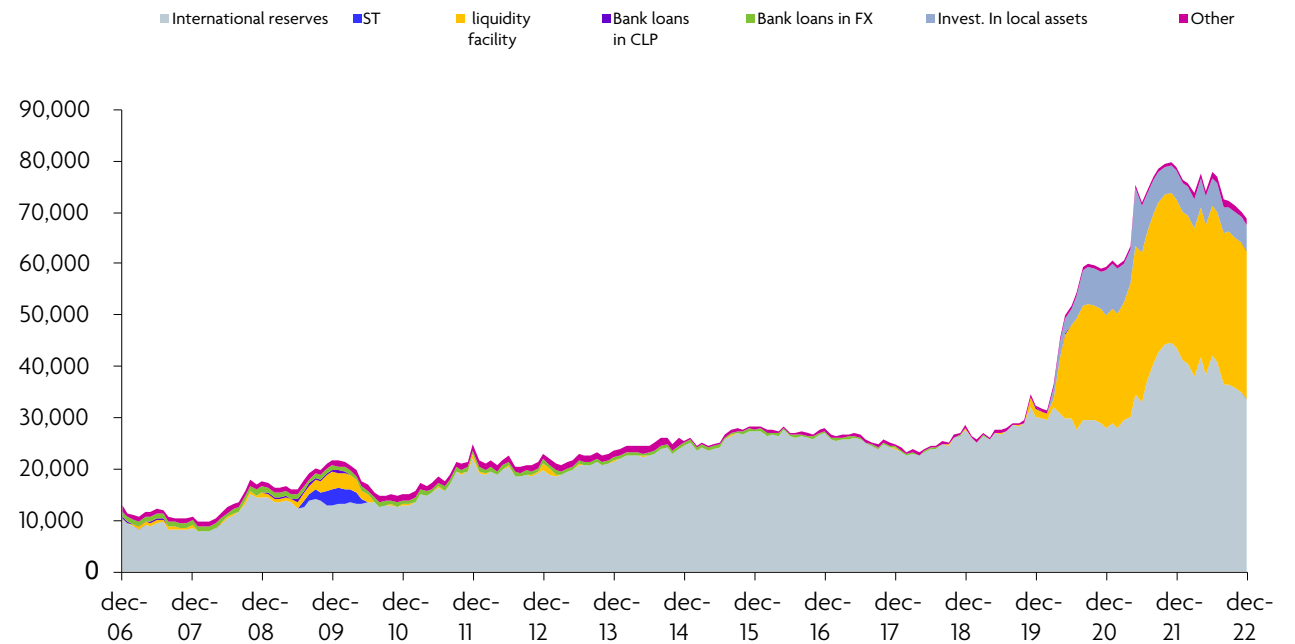
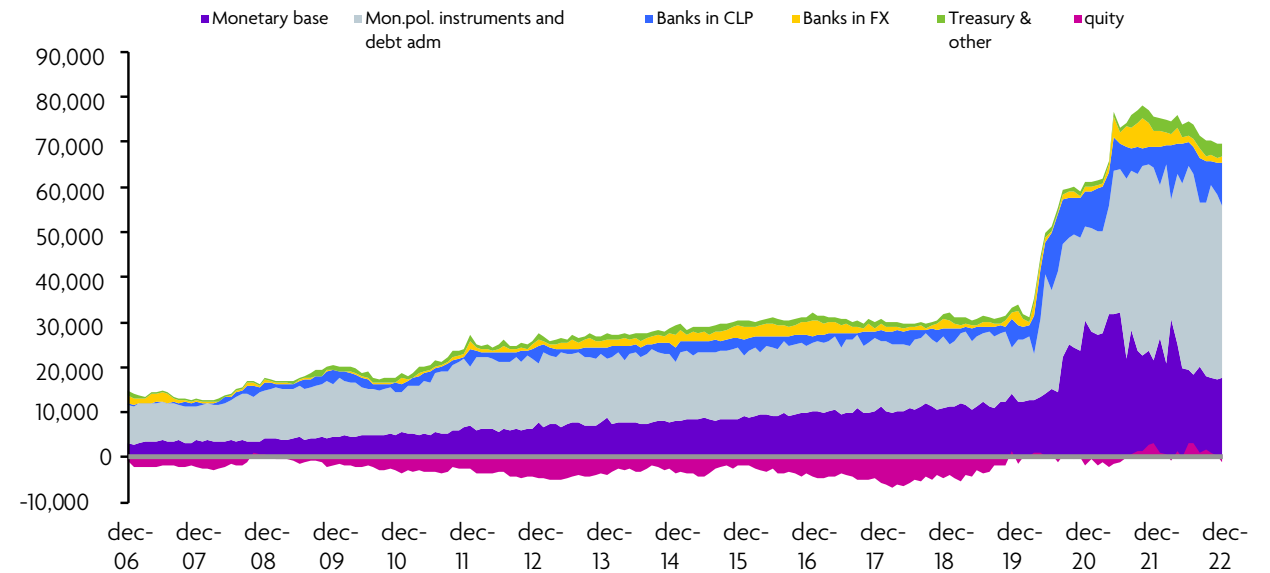


Figure 1.2
Central Bank of Chile Liabilities (Balances)
 (billions of CLP)



Return on assets and the cost of liabilities

The average return on assets is determined by the interest rate level and the income from bond coupons. In the case of the international reserves, these interest rates are associated with safe, highly liquid instruments, mainly sovereign bonds, which have lower yields than investments in local assets, mainly bank securities. The cost of liabilities, in turn, is primarily associated with the MPR and its expected trend, which affects the placement rate for Central Bank securities.

At year-end 2022, the average nominal spot rate on the main assets (3.1%) was lower than the average nominal spot rate on the main liabilities (8.2%), (Table 1.1). On the asset side, investments in bank bonds denominated in local currency, with a higher yield than the MPR, contributed to raising the average rate. On the liability side, the average rate was mainly influenced by the rate on debt placements (PDBC), which is in line with the MPR, and,

to a lesser extent, by the monetary base, whose components— with the exception of additional reserves (reserva técnica)—do not earn interest, both of which contributed to reducing the average rate on liabilities (Table 1.2).

Table 1.2

Income and expense structure of the abridged balance sheet

(balance in billions of CLP, interest rate in %, duration in years; 31 December 2022)

Assets	Amount	Average rate	Average duration
International reserves	33,653	4.0	2.6
FCIC - LCL	28,930	0.5	1.4
Bank bonds (1)	4,922	12.4	1.9
Total assets	67,506	3.1	2.0

Liabilities	Amount	Average issue rate	Average duration
PDBC	37,846	11.2	0.1
BCP	59	5.4	0.5
BCU (1)	158	13.1	1.9
Other deposits and oblig. (2)	9,583	11.0	0.0
Cash in circulation (3)	15,059	0.2	0.0
Bank's additional reserve deposits (3)	0	11.0	0.0
Fin. inst. current accounts (3)	2,582	0.0	0.0
Total Liabilities	65,288	8.2	0.06

(1) Considers a normal rate equivalent to average expected inflation in 2022 (from the December 2022 IPOM) and a duration adjustment factor of 0.5 for UF-denominated bonds.

(2) Standing deposit facility.

(3) Components of the monetary base.

Source: Central Bank of Chile.

In 2022, there was, on average, a negative differential of 4.8% between the effective interest rate earned on assets (1.0%), and effective rate paid on liabilities (5.8%) (Table 1.1). In the context of this measure, international reserves contributed 0.57% to the return, a larger contribution than last year due to higher interest earned. Investments in local assets contributed 0.20% to the return, which represents a smaller contribution than last year. On the liability side, the share of interest paid increased, mainly due to the higher debt issue costs from PDBC's, in line with the 725 basis point increase in the MPR over the course of the year. Thus, the average interest rate paid and earned, associated with the cost of monetary policy notes and total liabilities, was 4.75%.

The change in the value of assets (Table 1.1) associated with foreign currency adjustments and changes in the value of financial

instruments through buy/sell transactions, was positive (0.9%), mainly explained by accounting gains deriving from the restatement of investments in national UF-indexed bonds (which account for 98% of total national bonds) (0.79%).

The change in the value of liabilities was also positive (0.2%), mainly due to nonfinancial expenses associated with personnel and administrative expenses and cash in circulation.

Personnel and administrative expenses

These management-related expenses include personnel compensation and benefits; the use and consumption of goods and services; and other expenses necessary for carrying out the Bank's activities (Table 1.3). On the comprehensive income statement, they are broken down as follows: (i) personnel and

administrative expenses and (ii) other expenses and income. In 2022, of the total personnel and administrative expenses, personnel costs represented 52.1%; administrative expenses, 24.2%; retirement benefits, 2.2%; and other expenses (income), 21.6%.

Table 1.3
Personnel, administrative, and other expenses

Millions of CLP

Assets	2018	2019	2020	2021	2022
Personnel expenses	37,317	41,929	42,261	43,760	49,142
Administrative expenses	18,493	20,951	19,304	20,247	22,785
Provision for post-employment benefits	1,854	1,475	1,274	345	2,058
Other expenses (income)	4,054	2,104	1,347	6,011	20,354
Total	61,718	66,459	64,186	70,363	94,339

Personnel expenses

Personnel expenditures increased 12.3% in nominal terms between 2021 and 2022. In 2022, the total staff decreased to 713 people (723 in 2021). Professionals accounted for 83.2% of the total staff as of December 2022.

Administrative expenses

Administrative costs increased 12.5% in 2022. This was mainly due to an increase in

maintenance of fixed assets and in general services.

External auditors

The second paragraph of Article 76 of the Basic Constitutional Act stipulates that the Central Bank's financial statements must include an independent auditors' opinion and that the Board is to appoint the auditors from among those registered with the Financial Market

Commission (FMC). Through Board Resolution 2245-01 of 29 August 2019, the Board awarded the contract for professional auditing services to EY Servicios Profesionales de Auditoría y Asesorías SpA, for the 2020–2022 period; the contract can be automatically renewed annually in the 2023–2025 period.

Appendix 2: International Reserves

In line with the Bank's transparency policies, this appendix reports on annual international reserve management.

International reserves are liquid foreign currency assets held by the Central Bank of Chile (CBC). They are one of the policy tools available to the Bank to meet its primary objectives of safeguarding the stability of the currency and the normal functioning of internal and external payments. Under a floating exchange rate regime like the one in Chile, international reserves are used to provide liquidity in foreign currency, in order to achieve these two objectives.

The management of these reserves aims to guarantee secure, efficient access to international liquidity.

Under the legal framework defined in the Basic Constitutional Act (BCA), the Board of the Central Bank of Chile establishes a strategic framework for international reserve management, in line with international recommendations and practices.¹¹

Subject to this framework, the investment policy is designed to ensure that at all times, the CBC has access to the necessary reserves to fulfill its objectives, within a short timeframe and at a reasonable cost. To achieve that, reserve management pursues two central objectives: capital preservation and liquidity. The investment policy also takes into account the potential impacts on the CBC's balance sheet.

Total international reserves are made up of the investment portfolio plus the cash portfolio (transaction account balances held by the

Treasury, state-owned enterprises, and banks) and the other assets portfolio (IMF special drawing rights, or SDRs, certified gold, and other assets). The cash portfolio is allocated to covering expected funding requirements in the short term and is the preferred source for handling the daily funding requirements deriving from withdrawals from the foreign currency accounts maintained at the Central Bank by commercial banks and the public sector.

The following sections provide more details on the Bank's international reserve management.

¹¹ The document, "Lineamientos Generales para la Gestión de Reservas Internacionales del Banco Central de Chile (LGGR)" [General Guidelines for International Reserve Management of the Central Bank of Chile] establishes the standards for corporate governance, investment policy, investment process, and accountability.

Benchmark structure of the investment portfolio

The benchmark structure of the investment portfolio establishes the basic parameters that guide the currency composition, duration, credit risk distribution, types of instrument, and the respective benchmarks (indexes) used to guide and measure performance. This section outlines the benchmark structure of the investment portfolio in effect at year-end 2022.

Table 1a: Benchmark structure of the investment portfolio

(values on 31 December 2022)

		Type	% Portfolio	% Sub-portfolio	Duration (months)	Benchmark index	
Liquidity	USD	Nominal	60.0	100.0	30.8	Bloomberg-Barclays Global Aggregate-Treasury Bond Index (Unhedged) (3)	
	Total		60.0	100.0	30.8		
Diversificación	USD	Nominal	6.0	15.0	30.8	Bloomberg-Barclays Global Aggregate-Treasury Bond Index (Unhedged) (3)	
		Indexed	11.0	27.5	27.2		
		Total	17.0	42.5	28.4		
	CNY	Nominal	8.0	20.0	31.2		
	EUR (1)	Indexed	5.0	12.5	31.5		Bloomberg-Barclays Global Inflation Linked Index (Unhedged) (4)
	GBP	Indexed	4.0	10.0	30.3		
	AUD	Nominal	3.0	7.5	34.1		
	KRW (2)	Nominal	3.0	7.5	28.7		
Total		40.0	100.0	30.0			
Total			100,0		30,4		

(1) Only instruments from Germany, Spain, and France.

(2) Only instruments issued by the Treasury of South Korea (ticker KTB).

(3) Issues in the 1-5 year maturity tranche.

(4) Issues in the 1-10 year maturity tranche.

Source: Central Bank of Chile.

The liquidity portfolio represents 60% of the investment portfolio, and its benchmark is entirely composed of nominal U.S. Treasury bonds (in dollars) with a residual maturity of one to five years. These instruments are considered highly liquid and safe, and they have an average credit rating of AAA. This portfolio does not allow deviations in currency or issuer. To facilitate interest rate risk management, this sub-portfolio allows investment in nominal notes and bonds issued by the U.S. Treasury, as well as the use of interest rate futures for managing duration. To manage balances, the use of some money market instruments is allowed. The main objective of this portfolio is to ensure an adequate level of liquidity, so the investments must be easily convertible into cash in a short timeframe and at a reasonable cost, if necessary.

The diversification portfolio represents 40% of the investment portfolio, and its benchmark

is composed of nominal sovereign bonds with a residual maturity of one to five years and inflation-linked sovereign bonds with a residual maturity of one to ten years. The nominal share of the diversification portfolio (50%) is made up of instruments denominated in Chinese yuan (20.0%), U.S. dollars (15.0%), Australian dollars (7.5%), and South Korean won del Sur (7.5%); while the inflation-indexed share (50%) is denominated in U.S. dollars (27.5%), euros (12.5%), and pounds sterling (10.0%). The target duration of this portfolio is 31 months, approximately. Additionally, all instruments included in the International Reserve Investment Policy approved by the Board are also eligible for investment. The main objective of this sub-portfolio is to diversify the risks to which the investments are exposed, while maintaining adequate liquidity.

Deviations of the investment portfolio from its benchmark are controlled through a risk

budget. Thus, the Bank's investment portfolio management is subject to a global risk limit equivalent to an average monthly ex ante tracking error¹² of 40 basis points, which cannot exceed 50 basis points at any given time. The external portfolio managers, in turn, have a benchmark structure that is identical to the investment portfolio, as well as the same risk budget.

The investment portfolio has mechanisms for rebalancing the sub-portfolios to ensure that their relative size remains in line with the benchmark.

¹² The tracking error identifies the incremental risk incurred by a portfolio, relative to the benchmark, when it takes positions outside the benchmark. For the purposes of management, limits can be imposed on this incremental risk, and these limits are known as a risk budget.

Benchmark structure of the cash portfolio

The investments in the cash portfolio match the currency and term structure of expected disbursements on the Bank's balance sheet. The currency allocation is thus tied to the currency composition of expected disbursements and the deposits and withdrawals in accounts held at the Central Bank by commercial banks and the public sector. The benchmark for this portfolio is the Bloomberg Short-Term Bank Yield (BSBY) index provided by Bloomberg, which measures the average cost at which banks can access unsecured short-term funds.

Portfolio performance in 2022

On 31 December, the investment portfolio stood at USD 33.4682 billion, while the cash portfolio held USD 1.7286 billion. Taking the sum of these two portfolios plus other assets (USD 3.9574 billion), total international reserves closed the year at USD 39.1541 billion.

This balance was USD 12.1757 billion lower than at year-end 2021. The contraction is explained by reductions in the investment portfolio of USD 9.3496 billion, the cash portfolio of USD 2.5805 billion, and the other assets portfolio of USD 245.6 million.

The drop in value of the investment portfolio is mainly due to the foreign exchange intervention program, which implied an outflow of resources from the portfolio between 14 July and 30 September, on the order of USD 6.150 billion. Additionally, the market value of the reserves was lower in 2022, by USD 2.6218 billion, as a result of the interest rate hike, in a context of high inflation, and the depreciation against the U.S. dollar of the currencies that make up the reserve portfolio. The rest of the difference corresponds to other withdrawals from the investment portfolio totaling USD 577.8 million, which were mostly related to ordinary operations that the Bank conducts with the IMF (purchase and sale of SDRs).

The reduction in the cash portfolio, in turn, was explained by lower deposits denominated in U.S. dollars at the Central Bank by the commercial banks, compared to late 2021. Finally, the drop in the other assets portfolio is mainly explained by the Central Bank's capital contribution to the Latin American Reserve Fund (FLAR) on joining the organization.

Of the internally managed investment portfolio (USD 32.3521 billion), 96.4% was invested in sovereign risk, 2.0% in supranational risk,¹⁹ 1.4% in bank risk (which includes deposits, currency operations, and balances), and 0.2% in agency risk.²⁰

¹⁹ Excluding the externally managed resources, other assets, and the cash portfolio.

²⁰ Supranational institutions are multilateral financial institutions, whose articles of agreement are signed by the governments of two or more countries.

²¹ Agencies are financial institutions with a specific purpose, which are fully or partially backed by the governments of their respective countries.

Sovereign risk includes investments in the United States of America (76.65%), China (7.32%), United Kingdom (4.21%), France (3.35%), Republic of South Korea (3.22%), Australia (1.92%), Germany (1.27%), Spain (0.96%), Japan (0.36%), Saudi Arabia (0.29%), Canada (0.21%), United Arab Emirates (0.14%), Qatar (0.08%), and Poland (0.04%). Supranational risk is made up issues by the European Investment Bank (20.53%), Bank For International Settlements (19.57%), New Development Bank BRICS (16.14%), Nordic Investment Bank (10.13%), Asian Development Bank (7.94%), International Bank for Reconstruction and Development (7.2%), Inter-American Development Bank (5.59%), African Development Bank (3.34%), Inter-American Investment Corporation (3.06%), International Finance Corporation (2.22%), International Development Association (2.13%), Council of Europe Development Bank (1.57%), and Central American Bank for Economic Integration (0.60%). Agency risk is concentrated in one issue from Landwirtschaftliche Rentenbank of Germany (0.09% of the total portfolio), one issue from Korea Development Bank of South Korea (0.07% of the total portfolio), and one issue from Caisse d'Amortissement de la Dette Sociale of France (0.06% of the total portfolio).

The composition of total reserves and the currency allocation of the investment portfolio are given in Tables 2a and 2b, respectively.

Tabla 2a: Composición de las Reservas Internacionales

(millones de dólares)

PORTAFOLIO	CURRENCY	2021		2022	
		DEC.	%	DEC.	%
Investment portfolio		9.2	0.0	150.0	0.4
Currencies and deposits	U.S. dollar	0.4	0.0	0.4	0.0
	Euro	0.0	0.0	0.0	0.0
	Canadian dollar	0.1	0.0	0.2	0.0
	Australian dollar	32.0	0.1	3.2	0.0
	Other	32,919.7	64.1	25,529.3	65.2
Securities	U.S. dollar	2,147.8	4.2	1,679.0	4.3
	Euro	0.0	0.0	0.0	0.0
	Canadian dollar	1,297.6	2.5	1,017.1	2.6
	Australian dollar	6,411.0	12.5	5,089.1	13.0
	Other	32,928.9	64.2	25,679.3	65.6
Total	U.S. dollar	2,148.2	4.2	1,679.4	4.3
	Euro	0.0	0.0	0.0	0.0
	Canadian dollar	1,297.6	2.5	1,017.3	2.6
	Australian dollar	6,443.0	12.6	5,092.2	13.0
	Other	6,443.0	12.6	5,092.2	13.0
Cash portfolio		4,309.1	8.4	1,728.6	4.4
Currencies and deposits	U.S. dollar	4,309.1	8.4	1,728.6	4.4
Other assets portfolio		4,202.9	8.2	3,957.4	10.1
Monetary gold	Other	14.3	0.0	14.4	0.0
IMF SDRs	Other	3,502.4	6.8	3,265.3	8.3
IMF reserve position	Other	684.9	1.3	677.6	1.7
Currencies and deposits	U.S. dollar	1.3	0.0	0.0	0.0
Total Reservas Internacionales		51.329,8	100,0	39.154,1	100,0
	Dólar de EE.UU.	37.239,3	72,5	27.407,9	70,0
	Euro	2.148,2	4,2	1.679,4	4,3
	Dólar de Canadá	0,0	0,0	0,0	0,0
	Dólar de Australia	1.297,6	2,5	1.017,3	2,6
	Otras Divisas	10.644,6	20,7	9.049,6	23,1

Fuente: Banco Central de Chile

Table 2b Investment Portfolio: Investments by Currency (1)

(percent on 31 December 2022)

Currency	Share (2)
U.S. dollar	76.6
Chinese renminbi	8.2
Euro	5.0
Pound sterling	4.0
Australian dollar	3.1
South Korea won	3.1
Other (3)	0.0
Total	100.0

(1) Excluding the cash and other asset portfolios. (2) The share includes currency forwards.

(3) Includes JPY, CHF, PLN, MYR, NZD, CAD, NOK, SGD, DKK, SEK, and CZK.

Source: Central Bank of Chile.

Risk management

International reserve management includes criteria for limiting liquidity, credit, market, and operational risk.

To reduce liquidity risk, the Bank manages a portfolio composed mainly of fixed-income instruments traded in deep and highly liquid

secondary markets. Investments in bank deposits are mainly limited to the cash portfolio (primarily overnight deposits). In addition, the investment policy includes a liquidity portfolio, equivalent to 60% of the investment portfolio, which mainly allows investment in securities issued by the U.S. Treasury.

With regard to credit risk, limits are applied

to bank, sovereign, supranational, and agency (external financial institution) risk, as well as to the counterparties used (table 3).

Table 3: Composition of international reserves by credit risk (1) (2) (3) (4)

(percent on 31 December 2022)

Type of credit risk	Credit rating							TOTAL
	AAA	AA+	AA	AA-	A+	A	A-	
Sovereign	76.7	0.0	6.3	4.3	7.5	0.3	1.0	96.20
Bank	0.5	0.0	0.0	0.0	0.9	0.0	0.0	1.43
Supranational	2.1	0.0	0.0	0.0	0.0	0.0	0.0	2.12
Agency	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.26
Total	79.5	0.0	6.5	4.3	8.4	0.3	1.0	100.0

1) Bank risk is related to investment in banks' financial instruments (deposits). Sovereign risk is related to investment in instruments from sovereign states (bills, nominal bonds). Agency risk is associated with investment in instruments from German government agencies (bills, nominal bonds). Supranational risk is associated with investment in instruments from an official multilateral issuer (deposits, bills, and nominal bonds).

(2) For sovereign risk, the credit rating corresponds to the average rating from Fitch, Moody's, Standard and Poor's, and Dominion Bond Rating Service.

(3) For agency, bank, and supranational risk, the credit rating corresponds to the average rating from Fitch, Moody's and Standard and Poor's.

(4) Including the cash portfolio; excluding the other assets portfolio.

Source: Central Bank of Chile.

The investment guidelines establish other criteria and restrictions as complementary measures to limit credit risk, including eligibility criteria for issuers, operations, and intermediaries and rules on the treatment of derivatives (Tables 4, 5, and 6).

Table 4

(millions of USD)

Financial institutions with outstanding deposits on 31.Dec.2022 (1) (2)	
AAA, AA+, AA, AA-	Bank For International Settlements
	Bank of America N.A.
	J.P. Morgan Chase Bank N.A.
	Promedio Categoría 375
A+, A, A-	Citibank N.A.
	Raiffeisen Schweiz Genossenschaft
	Promedio Categoría 370

(1) Includes the internally managed investment portfolio and the cash portfolio.

(2) Includes balances held in interest-bearing current accounts.

Source: Central Bank of Chile.

Table 5. Eligible banks and permissible limits as of 31.Dec.2022

(millions of USD and months)

Country	Bank	Amount	Duration
Germany	Bayerische Landesbank	150	1
Germany	DekaBank Deutsche Girozentrale	500	3
Germany	DZ BANK AG Deutsche Zentral-Genossenschaftsbank	700	9
Germany	Goldman Sachs Bank Europe SE	500	3
Germany	J.P Morgan AG	700	9
Germany	Landesbank Baden-Württemberg	150	1
Germany	Landesbank Hessen-Thüringen Girozentrale	500	3
Germany	NRW.BANK	700	9
Germany	UBS Europe SE	700	9
Australia	Australia & New Zealand Banking Group Limited	700	9
Australia	Commonwealth Bank of Australia	700	9
Australia	National Australia Bank Ltd.	700	9
Australia	Westpac Banking Corporation	700	9
Belgium	Belfius Bank SA/NV	150	1
Belgium	BNP Paribas Fortis SA/NV	500	3
Belgium	ING Belgium SA/NV	500	3
Belgium	KBC Bank NV	500	3
Canada	Bank of Montreal	700	9
Canada	Canadian Imperial Bank of Commerce	700	9
Canada	National Bank of Canada	500	3
Canada	Royal Bank of Canada	700	9
Canada	The Bank of Nova Scotia	700	9
Canada	The Toronto-Dominion Bank	700	9
China	Bank of China (Hong Kong) Ltd.	500	3
China	China Construction Bank Corporation	500	3
China	Industrial and Commercial Bank of China (Asia) Ltd.	500	3

China	Industrial and Commercial Bank of China Ltd.	500	3
China	The Hongkong and Shanghai Banking Corporation Limited	700	9
South Korea	Standard Chartered Bank Korea Limited	500	3
Denmark	Danske Bank Aktieselskab	500	3
Denmark	Nykredit Bank A/S	500	3
United Arab Emirates	First Abu Dhabi Bank	700	9
Spain	Bank Bilbao Vizcaya Argentaria S.A.	150	1
Spain	Bank Santander S.A.	500	3
United States	Bank of America NA	700	9
United States	BNY Mellon National Association	500	9
United States	Citibank NA	500	3
United States	Comerica Bank	150	1
United States	Goldman Sachs Bank USA	500	3
United States	HSBC Bank USA NA	700	9
United States	J.P. Morgan Chase Bank NA	700	9
United States	Keybank National Association	150	1
United States	PNC Bank NA	500	3
United States	State Street Bank & Trust Company	700	9
United States	The Bank of New York Mellon	700	9
United States	The Northern Trust Company	700	9
United States	U.S. Bank NA	700	9
United States	Wells Fargo Bank, NA	700	9
Finland	Nordea Bank Abp	700	9
France	BNP Paribas S.A.	500	3
France	Bred Banque Populaire	500	3
France	Credit Agricole Corporate and Investment Bank	500	3
France	Crédit Agricole S.A.	500	3
France	Crédit Industriel et Commercial (CIC)	500	3
France	HSBC France	500	3
France	Natixis S.A.	500	3
France	Société Générale	500	3
Netherlands	ABN AMRO Bank NV	500	3

Netherlands	Coöperatieve Rabobank UA	500	3
Netherlands	ING Bank NV	700	9
Netherlands	NV Bank Nederlandse Gemeenten	1000	12
United Kingdom	Bank of Scotland Plc	500	3
United Kingdom	Barclays Bank Plc	500	3
United Kingdom	Goldman Sachs International Bank	250	3
United Kingdom	HSBC Bank Plc	500	3
United Kingdom	Lloyds Bank Plc	500	3
United Kingdom	Lloyds Bank Corporate Markets Plc	500	3
United Kingdom	Merrill Lynch International	500	3
United Kingdom	Natwest Markets Plc	500	3
United Kingdom	Santander UK PLC	500	3
United Kingdom	Standard Chartered Bank	500	3
Israel	Bank Hapoalim B.M.	500	3
Japan	Mizuho Bank Ltd.	500	3
Japan	Mitsubishi UFJ Trust and Banking Corporation	500	3
Japan	MUFG Bank, Ltd.	500	3
Japan	Sumitomo Mitsui Banking Corporation	500	3
Japan	Sumitomo Mitsui Trust Bank Ltd.	500	3
Japan	The Chiba Bank, Ltd.	150	1
Japan	The Norinchukin Bank	500	3
Japan	The Shizuoka Bank Ltd.	150	1
Norway	DnB Bank ASA	700	9
Singapore	DBS Bank Ltd.	700	9
Singapore	Oversea-Chinese Banking Corp Ltd.	700	9
Singapore	United Overseas Bank Ltd.	700	9
Sweden	Skandinaviska Enskilda Banken AB (Publ) (SEB)	700	9
Sweden	Svenska Handelsbanken AB (publ)	700	9
Sweden	Swedbank AB	500	3
Switzerland	Credit Suisse AG	500	3
Switzerland	Raiffeisen Schweiz Genossenschaft	250	3
Switzerland	UBS AG	700	9
Switzerland	Zürcher Kantonalbank	1000	12

Source: Central Bank of Chile.

Table 6
Intermediaries used in 2022

Intermediaries		
Agricultural Bank Of China	First Abu Dhabi Bank, London	State Street Bank & Trust Company, Boston
Amherst Pierpont Securities Llc	Goldman Sachs Bank, Usa	Sumitomo Mitsui Banking Corporation, New York
Anz Securities Inc., New York	Goldman Sachs International	Sumitomo Mitsui Trust Bank Ltd., New York
Banco Bilbao Vizcaya Argentaria S.A., Madrid	Goldman Sachs & Co. Llc	TD Securities (Usa) Llc.
Banco Santander S.A., Madrid	Hsbc Bank Plc, London	The Bank Of New York Mellon, New York
Bank For International Settlements, Basle	Hsbc Bank Usa N.A., New York	The Bank Of Nova Scotia, London
Bank Of China Limited., Hong Kong	Hsbc Securities Inc., New York	The Bank Of Tokyo-Mitsubishi Ufj Ltd., New York
Bank Of Nova Scotia, Canada	Industrial And Commercial Bank Of China	The Toronto Dominion Bank, Toronto
Bank Of Nova Scotia, New York	J.P. Morgan Securities Llc., New York	UBS AG, London
Barclays Bank Plc.	Jefferies Llc	UBS AG, Stamford
Barclays Capital Inc.	Jp Morgan Securities Plc	UBS Securities Llc, New York
Bbva Securities Inc.	Jpmorgan Chase Bank N.A., Seoul	Wells Fargo Bank N.A., San Francisco
Bmo Chicago Branch	Kbc Bank Nv, Brussels	Wells Fargo Securities, Llc
Bnp Paribas, Paris	Lloyds Bank Corporate Markets Plc	Westpac Banking Corporation, Sydney
Bnp Paribas Securities Corp., New York	Merrill Lynch International	Zurcher Kantonalbank, Zurich
Bofa Securities Inc	Mizuho Securities Usa Llc	
Bred Banque Populaire, Paris	Morgan Stanley & Co. International Plc, London	
Canadian Imperial Bank Of Commerce, Toronto	Morgan Stanley & Co. Llc.	
Cibc World Markets Corp.	MUFG Securities Americas Inc.	
Citigroup Global Markets Inc., New York	National Australia Bank Ltd, London	
Citigroup Global Markets Limited, London	National Bank Of Canada Financial Inc., New York	
Commonwealth Bank Of Australia, Sydney	Natixis Capital Markets, Paris	
Credit Agricole Corporate And Investment Bank Calyon, London	Natwest Markets Plc	
Credit Agricole Corporate And Investment Bank Calyon, New York	Nomura International Plc, London	
Credit Agricole Corporate And Investment Ban Calyon, New York	Nomura Securities International Inc., New York	
Credit Agricole Corporate And Investment Bank Calyon, Seoul	Raiffeisen Schweiz Genossenschaft	
Daiwa Capital Markets America Inc.	RBC Capital Markets, Llc	
Danske Bank A/S, Copenhagen	RBS Securities Inc., Greenwich	
Danske Markets Inc.	Royal Bank Of Canada Europe Limited, London	
Dbs Bank Ltd, Seoul	Royal Bank Of Canada, Toronto	
Deutsche Bank Ag, London	Societe Generale, New York	
Deutsche Bank Securities Inc.	Societe Generale, Paris	
Dz Bank Ag Deutsche Zentral Genossenschaftsbank, Frankfurt	Standard Chartered Bank All Uk Offices, London	
	Standard Chartered Bank Limited, Korea	

Market risk is contained through the diversification of investment currencies, instruments, and maturities and through the measurement and control of exposure to duration and currency risk via tracking error limits.

In 2022, the average daily value at risk (VaR)¹⁶ of the internally managed investment portfolio was 7.18% (2.94% in 2021). The average tracking

error was 12.3 basis points.

Operational risk is controlled through the separation of functions and responsibilities at the institutional and hierarchical levels, the application of efficient controls to mitigate it, and the use of computer applications that adhere to market quality standards. Initiatives

were carried out to improve the standards of operational continuity, and a contingency unit was maintained to guarantee the operational continuity of both the international reserves and the sovereign wealth funds in the event of problems with the physical or technological infrastructure of the Central Bank building.

Results

In 2022, the total return on the reserves was -4.18% measured in the currency of origin of the investments, mainly due to the rise in global yield curves in a context of high inflation and contractionary monetary policy by the central banks. Measured in U.S. dollars, the return was -5.80%, which is lower than the local currency return because of the negative exchange rate effect deriving from measuring the reserve returns using the U.S. dollar as the base currency (the dollar appreciated against the basket of investment currencies in the period). The return differential relative to the benchmark structure was 13.4 basis points (Table 7).

Table 7
Absolute returns on international reserves and the benchmark
(1) (2) (3) (percent)

Period	Currency of origin			RRII	U.S. dollars	
	Int.Res.	BMK	Differential (3)		BMK	Diferencial (3)
2022	-4.18	-4.34	0.16	-5.80	-5.94	-0.13
2021	0.58	0.52	0.06	-0.13	-0.04	-0.09
2020	2.42	2.39	0.02	5.64	5.63	0.02
2019	5.67	6.25	-0.57	5.39	6.09	-0.70
2018	1.70	1.66	0.04	-0.35	-0.32	-0.03
2017	0.77	0.62	0.15	4.17	4.06	0.11
2016	0.90	0.90	0.00	0.13	0.17	-0.04
2015	0.73	0.90	-0.17	-3.74	-3.58	-0.16
2014	1.65	1.52	0.13	-2.94	-3.14	0.21
2013	0.26	0.21	0.06	-0.71	-0.77	0.06
Average	1.05	1.06	-0.01	0.17	0.22	-0.05

(1) Excluding monetary gold, special drawing rights, IMF reserve position, reciprocal credit agreements, and other reserve assets.

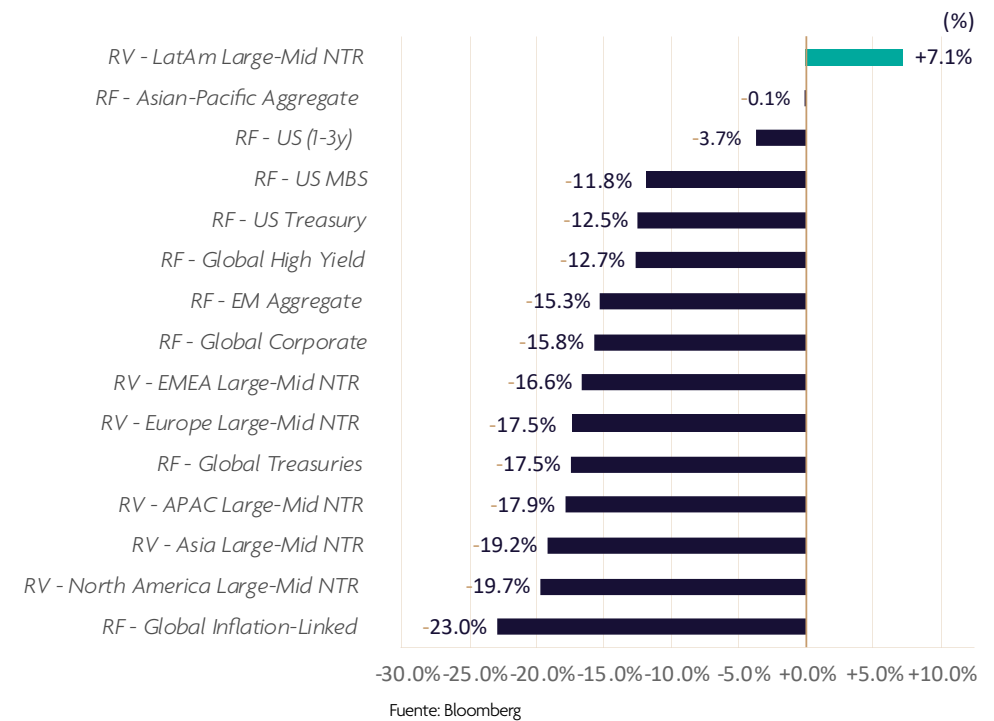
(2) Starting in 2014, the return is measured in currency of origin, which does not incorporate appreciations or depreciations of the currencies in the portfolio. In contrast, prior to that year, the return in currency of origin was approximated using a foreign exchange measure based on the basket of currencies in the benchmark, which is equivalent to the return in currency of origin for investments that replicate the benchmark.

(3) There were significant benchmark

¹⁶The VaR is based on a parametric model with an annualized daily horizon, a confidence level of 95% and a decay factor of 0.94.

For reference and to contextualize the absolute returns obtained in 2022 on the international reserve portfolio and the sovereign wealth funds, figure 1 shows the results of several fixed- and variable-income indexes in 2022. As the figure shows, the results were negative for almost all the indexes (the sole exception is the variable-income Bloomberg LatAm Large & Mid Cap Total Return Index). Specifically, for the fixed-income indexes, 2022 returns fluctuate between -23% and -0.1%.¹⁷

Figure 1
Fixed- and variable-income returns, YTD 2022



¹⁷ For fixed income, we studied the 2022 returns of different tranches of Bloomberg Global Treasury index and the Bloomberg Global Inflation-Linked index; for variable income, different Bloomberg indexes of this asset class.

External portfolio management program

At year-end 2022, a portion of the investment portfolio was managed by two external managers: Allianz Global Investors and BNP Paribas Asset Management. The firms were brought on in November 2021, with a mandate of USD 600 million each. Both firms manage a global government fixed-income mandate, with a benchmark investment structure equivalent to the internally managed portfolio.

The objectives of the external portfolio management program are to provide an active benchmark for the internally managed portfolio, to increase the value of the international reserve portfolio, and to facilitate the transference of knowledge, technology, and international best practices in portfolio management.

Deviations from the benchmark by the external portfolio managers are limited to an average monthly ex ante tracking error of 40 basis points, which cannot exceed 50 basis points at any given time. Additionally, as with the internally managed portfolios, there are limits and restrictions to control credit and other risks.

Securities lending program

In the period, a securities lending program was maintained with the Bank's international reserve custodians, J.P. Morgan Chase Bank N.A. and State Street Bank and Trust Company. This consists in lending instruments owned by the Bank to primary dealers, who must put up collateral equivalent to 102 or 105% of the value of the instrument being loaned, as contractually established. Primary dealers are financial institutions designated by the treasury offices of the issuing countries, for the placement and distribution of their debt securities.

The contractual relationship with the lending agent—that is, the custodian—incorporates a clause stipulating that in the event of default by the debtor, the custodian will be responsible for the totality of the positions loaned, thereby transferring the risk from the debtor to the custodian bank. In addition, the custodian keeps the custodial positions in separate accounts on its balance sheet, so there is no credit risk.

In 2022, this program generated income for the Bank equivalent to 2.0 basis points of the total internally managed investment portfolio.

Appendix 3: Sovereign Wealth Funds (ESSF and PRF)

As fiscal agent, the Central Bank of Chile (CBC) manages part of the Economic and Social Stabilization Fund (ESSF) and the Pension Reserve Fund (PRF) in the name and on behalf of the Treasury.

The following sections describe the institutional context in which this fiscal agency operates. They also report on the investment policy, the fund structure, the reporting system, the management results, and the costs of managing the resources as fiscal agent.

Institutional framework

In September 2006, Law N° 20,128 on Fiscal Responsibility created the ESSF and the PRF. Under this law, the Ministry of

Finance issued Executive Decree N° 1,383 (which was amended via Decrees N° 1,618 of 2012 and N°334 of 2020), whereby the Central Bank is vested with the representation of the Treasury for investing all or part of the ESSF and PRF resources, once the Bank has formally accepted the fiscal agency agreement in accordance with its Basic Constitutional Act.

Investment policy and objectives

The investment policy objectives for the sovereign wealth fund portfolios and the associated risk-return profile reflect decisions made by the Finance Ministry. The Central Bank must manage the fiscal resources in accordance with the associated decrees and performance guidelines.

The performance guidelines contain the investment criteria, which define a benchmark and place restrictions on fiscal portfolio management.

The benchmark structure implicitly incorporates risk-return objectives established by the Finance Ministry. The results of the fiscal portfolio management are assessed against these benchmark portfolios.

For the ESSF portfolio that is managed internally by the CBC, the benchmark portfolio is made up of the following asset classes: treasury bills, sovereign bonds, and inflation-linked sovereign bonds (Table 1). The treasury bill portfolio uses benchmark indexes by ICE Bank of America Merrill Lynch. The sovereign bond and inflation-indexed sovereign bond portfolios are compared against selected Bloomberg Barclays indexes.

Table 1
Benchmark for ESSF portfolio managed by the CBC
 (percent)

Asset class	Share
Treasury bills and sovereign bonds	96,3
Inflation-linked sovereign bonds	3,7

Source: Finance Ministry.

In the case of the PRF, the CBC manages part of the long-term investment portfolio, in accordance with the PRF investment policies. The investment portfolio managed by the CBC is divided into an internally managed portfolio, composed of sovereign bonds and government-related assets, plus inflation-linked sovereign bonds; and a second portfolio whose management was delegated by

the CBC to external portfolio managers, made up of U.S. agency mortgage-backed securities (MBS). With regard to benchmarks, the long-term PRF uses Bloomberg Barclays indexes (table 2).

Table 2
Benchmark for the PRF portfolio managed by the CBC
 (percent)

Asset class	Share
Long-term investment portfolio	
Sovereign bonds and government-related assets	70.8
Inflation-linked sovereign bonds	16.7
U.S. agency mortgage-backed securities (MBS)	12.5

Source: Finance Ministry

The ESSF and PRF investment guidelines define eligible currencies, issuers, and instruments as those included in the respective benchmarks, and they exclude any and all instruments from Chilean issuers and/or denominated in pesos.

Under the current guidelines, the management mandate controls the main portfolio risks through risk budgets. Specifically, the Finance Ministry established a daily ex ante tracking error¹⁸ of 50 basis points for the ESSF and the internally managed long-term PRF portfolio and 30 basis points for the delegated PRF portfolio (U.S. agency MBS).¹⁹

Additionally, the investment guidelines dictated by the Finance Ministry establish specific rules and limits on exposure, including eligibility criteria for issuers, operations, instruments, and intermediaries and rules on the treatment of derivatives (Tables 4 and 5).

¹⁸ Tracking errors are calculated in annual terms.

¹⁹ Additionally, for the MBS share of the PRF portfolio that the Bank has delegated to external managers, the average tracking error cannot exceed 20 basis points in a calendar month.

Structure of the fiscal portfolios

At year-end 2022, the market value of the ESSF and PRF portfolios managed directly by the fiscal agent was USD 7.5142 billion and USD 3.1219 billion,²⁰ respectively, which is invested in line with the benchmark composition established in the current investment guidelines (Table 3).

Table 3
Portfolios managed by the CBC
(31 December 2022; millions of USD)

Portfolio / Asset class	Market value (1)						Total	% of total
	USD	EUR	JPY	CHF	Other (2)			
ESSF								
Bank / Treasury bills and sovereign bonds	3,052.6	1,948.6	1,623.4	617.9	n/a	7,242.5	96.4	
Inflation-linked sovereign bonds	188.8	82.8	n/a	n/a	n/a	271.6	3.6	
Total	3,241.4	2,031.4	1,623.4	617.9	0.0	7,514.2	100.0	
PRF								
Sovereign bonds and government-related assets	674.2	507.0	402.5	6.1	629.3	2,219.2	71.1	
Inflation-linked sovereign bonds	228.6	111.6	16.8	n/a	154.5	511.6	16.4	
U.S. agency MBS	391.1	n/a	n/a	n/a	n/a	391.1	12.5	
Total	1,293.9	618.7	419.3	6.1	783.9	3,121.9	100.0	

²⁰ The market value of the PRF at year-end 2022 was USD 6.4753 billion, of which USD 3.1219 billion was managed by the Bank (internal: USD 2.7307 billion; delegated: USD 391.1 million), while USD 3.3534 billion was managed by external portfolio managers supervised directly by the Finance Ministry, under equity, corporate bond, and high-yield bond mandates.

Portfolio	Ex ante tracking	Risk budget
FEES	error (bp)	(bp) (3)
Internal PRF	21.0	50.0
External PRF delegated by the CBC (4)	2.6	30.0

(1) Includes currency forwards.

(2) Includes the Canadian dollar, Australian dollar, pound sterling, and other currencies.

(3) Daily risk budget.

(4) Additionally, for the delegated PRF portfolio, the average monthly tracking error cannot exceed 20 basis points.

Source: J.P. Morgan N.A.

Reports

The Fiscal Agency Decree and the performance guidelines define the content and frequency of the reports that the Bank must submit to the Finance Minister and the Treasurer of Chile. As a general rule, the custodian bank, in its middle office role, provides the necessary information for preparing the reports. Based on this information, the fiscal agent must report daily, monthly, quarterly, and annually on the status of the resources under management. The daily reports provide information on the market value of each portfolio, under items sorted by currency and asset class. The monthly, quarterly, and annual reports contain more detailed information on the portfolios. These reports describe changes in financial markets, discuss compliance with investment caps, provide details on the changes in the market value of each fund, and report on the absolute and differential returns obtained.

The Central Bank also measures the performance and compliance with the investment guidelines of the custodian bank and the Treasury,²¹ respectively; and monitors and assesses the information provided by the custodian, using its own calculations based on systematically recorded information.

The fiscal agent must also report annually to the Finance Minister and the Treasurer on the custodian bank's performance.

²¹ On 01 October, the Chilean Treasury officially assumed responsibility for monitoring compliance with the sovereign wealth fund investment limits (Oficio N° 619 of 2022 from the Finance Ministry).

Results

In 2022, the ESSF resources managed by the CBC generated an absolute return²² measured in U.S. dollars of -12.35%, with a differential return of -15.4 basis points relative to the benchmark. The PRF resources managed internally by the CBC generated an absolute return measured in U.S. dollars of -17.53%, which implies a positive differential return of 46.3 basis points relative to the benchmark performance.²³

For both portfolios, most of the absolute return measured in dollars is explained by the rise in interest rates and the appreciation of the U.S. dollar. In 2022, the returns associated

with fixed- and variable-income indexes were, for the most part, negative.

Fiscal Agency fees

According to the stipulations of Article 9, letter (a), of the Fiscal Agency Decree, the Central Bank is entitled to charge an annual fee for the direct expenses and costs incurred in carrying out its assigned functions.

For the period from 01 January to 31 December 2022, the Finance Ministry set the annual fee at USD 893,283.00 y USD 1,339,528.00 for the ESSF and PRF, respectively,²⁴ as established in official letters from the Finance Ministry.

These amounts are consistent with the Central Bank's Basic Constitutional Act, which stipulates that the Bank shall not finance the Treasury. The fees paid to the fiscal agent represent 1.3 and 4.8 basis points—for the ESSF and PRF, respectively—of the average market value of the resources directly managed by the CBC in 2022 in its role as fiscal agent.

Table 4
Financial institutions with outstanding deposits
(31 December 2022)

INSTITUTION
<i>Bank of Nova Scotia, London</i>
<i>Banco Santander, Madrid</i>
<i>Nykredit Bank A/S Copenhagen</i>
<i>Bred Banque Populaire, Paris</i>
<i>Banco Bilbao Vizcaya Argentaria S.A</i>
<i>The Toronto Dominion Bank, Toronto</i>

Source: J.P. Morgan N.A.

²² The returns are reported by the portfolios' custodian bank and do not exclude waiver periods.

²³ 3 Taking the sum of the long-term PRF resources managed internally by the Bank and the resources that the Bank has delegated to external managers (MBS portfolio), the absolute return and differential attributable to the fiscal agent in 2022 were -16.80% and 42.8 basis points, respectively.

²⁴ The fiscal agency fees for the ESSF and PRF are associated with direct expenses and costs incurred by the Bank in the management of the funds and do not include other costs, such as those associated with external portfolio management and custody.

TABLE 5
INTERMEDIARIES USED BY THE FISCAL AGENT IN 2022

Intermediarios		
Agricultural Bank Of China	Danske Bank A/S, Copenhagen.	Nomura International Plc London
Amherst Pierpont Securities Llc	Danske Markets Inc.	Nomura Securities International Inc., New York
Anz Securities Inc., New York	Dbs Bank Ltd, Singapore	Nykredit Bank A/S, Copenhagen
Australia & New Zealand Banking Group Limited, Melbourne	Deutsche Bank AG, London	Rbc Capital Markets, Llc
Banco Bilbao Vizcaya Argentaria S.A., Madrid	Deutsche Bank Securities Inc.	Rbs Securities Inc., Greenwich
Banco Santander S.A., Madrid	Dz Bank Ag Deutsche Zentral Genossenschaftsbank, Frankfurt	Royal Bank Of Canada, Toronto
Bank Of America, New York	Federal Home Loan Mortgage Corporation (Freddie Mac)	Skandinaviska Enskilda Banken Ab, New York
Bank Of China Limited, Hong Kong	Goldman Sachs Bank, USA	Societe Generale, New York
Bank Of Montreal, The, Toronto	Goldman Sachs International	Societe Generale, Paris
Bank Of Nova Scotia, Canada	Goldman, Sachs & Co. Llc	Standard Chartered Bank All Uk Offices, London
Bank Of Nova Scotia, New York Agency	Hsbc Bank Plc, London	Standard Chartered Bank Limited, Korea
Barclays Bank Plc.	Hsbc Bank Usa N.A, New York.	State Street Bank And Trust Co, Boston
Barclays Capital Inc.	Hsbc Securities Inc., New York	Sumitomo Mitsui Banking Corporation, New York
Bmo Capital Markets Corp.	Industrial And Commercial Bank Of China	Sumitomo Mitsui Trust Bank Ltd., New York
Bmo, Chicago Branch	J.P. Morgan Chase Bank N.A, New York	Svenska Handelsbanken Ab, New York
Bnp Paribas, Paris	J.P. Morgan Securities Llc., New York	Td Securities (Usa) Llc.
Bnp Paribas Securities Corp., New York	Jefferies Llc	The Bank Of New York Mellon, New York
BOFA Securities Inc	Jp Morgan Securities Plc	The Bank Of Nova Scotia, London
Bred Banque Populaire, Paris	Jpmorgan Chase Bank, N.A., London	The Toronto Dominion Bank, Toronto
Canadian Imperial Bank Of Commerce, Toronto	Jpmorgan Chase Bank, N.A. Seoul	Ubs Ag, London
Cantor Fitzgerald And Co.	Landesbank Baden Wurttemberg, New York	Ubs Securities Llc, Usa New York
China Construction Bank Corporation, London	Landesbank Baden Wurttemberg, Stuttgart	Wells Fargo Bank N.A, San Francisco
Cibc World Markets Corp.	Lloyds Bank Corporate Markets Plc	Wells Fargo Securities, Llc
Citibank N.A, New York	Merrill Lynch International	Westpac Banking Corporation, Sydney
Citigroup Global Markets Inc., New York	Mizuho Securities USA Llc	Westpac Banking Corporation, Wellington
Citigroup Global Markets Limited, London	Morgan Stanley & Co. International Plc, London	Zurcher Kantonalbank, Zurich
Commerzbank, France	Morgan Stanley & Co. Llc.	
Commonwealth Bank Of Australia, Sydney	Mufg Securities Americas Inc.	
Credit Agricole Corporate And Investment Bank Calyon, New York	National Australia Bank Ltd, London	
Credit Agricole Corporate And Investment Bank Calyon, Paris	National Bank Of Canada Financial Inc., New York	
Credit Agricole Corporate And Investment Bank Calyon, Seoul	National Bank Of Canada, Montreal	
Credit Suisse AG, New York	Natixis (Capital Markets), Paris	
Daiwa Capital Markets America Inc.	Natwest Markets Plc	

Source: Central Bank of Chile



10. Financial Statements



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To the Governor, Deputy Governor, and Members of the Board of the Central Bank of Chile

We have audited the accompanying financial statements of the Central Bank of Chile, which comprise the statements of financial position as of 31 December 2022 and 2021 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the corresponding notes to the financial statements.

Responsibility of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards. This responsibility includes the design, implementation, and appropriate internal control to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the auditor

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements that are free from material misstatements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Central Bank of Chile as of 31 December 2022 and 2021 and the results of their operations and their cash flows for the years then ended, in conformity with International Financial Reporting Standards.



Rodrigo Vera D.
EY Audit Ltda.

Santiago, 26 January 2023

STATEMENT OF FINANCIAL POSITION

al 31 de diciembre de 2022 y 2021

Assets	Note	2022 CLP MM	2021 CLP MM
Foreign assets		34,332,885.8	43,894,717.2
Reserve assets:	7a	33,653,359.9	43,643,187.4
Cash	6	1,060,393.5	814,332.1
Investment portfolio	7c	29,191,561.9	39,256,421.6
Monetary gold	7d	12,405.2	12,181.7
Special drawing rights (SDR)	7e	2,806,577.0	2,977,925.0
IMF reserve position	7f	582,401.4	582,304.5
Other assets		20.9	22.5
Other foreign assets:		679,525.9	251,529.8
IDB shares and contributions	8a	113,094.0	111,875.6
Bank for International Settlements (BIS) shares	8b	97,733.8	103,504.5
Latin American Reserve Fund (FLAR)	8c	429,755.0	-
Other foreign assets	8d	38,943.1	36,149.7
Domestic assets		34,388,213.1	34,975,627.6
Domestic loans and investments:		34,018,958.4	34,553,720.4
Loans to banks and financial institutions	9a	28,949,350.7	28,963,155.0
Domestic investment portfolio	9b	5,069,607.7	5,590,565.4
Operations under specific legal regulations:		315.192,2	350.802,7
Treasury transfers (Law N°18,401)	10a	315.192,2	350.802,7
Other asset accounts:		54,062.5	71,104.5
Property, plant, and equipment and intangibles	11 - 12	40,321.2	52,424.6
Other assets	13	13,741.3	18,679.9
Total assets		68,721,098.9	78,870,344.8

Las notas adjuntas números 1 al 31 forman parte integral de estos estados financieros.

STATEMENT OF FINANCIAL POSITION (continued)

on 31 December 2022 and 2021

Liabilities and Equity	Note	2022 CLP MM	2021 CLP MM
Foreign liabilities:	14	2,959,657.5	3,090,179.5
Accounts with international organizations		73,757.1	72,417.0
SDR allocations		2,884,797.4	3,017,605.8
Reciprocal credit agreements		4.1	4.0
Deposits with central banks		1,098.9	152.7
Domestic liabilities		66,785,184.6	72,528,390.6
Monetary base:	15	17,641,229.9	21,456,306.0
Banknotes and coins in circulation		15,059,016.3	18,666,832.0
Deposits from financial institutions (CLP)		2,582,213.6	1,969,303.2
Additional reserve deposits (reserva técnica)		-	820.170,8
Deposits and obligations:	16	11,060,934.3	8,213,062.7
Deposits and obligations with the Treasury		128.8	136.8
Other deposits and obligations		11,060,805.5	8,212,925.9
Securities issued by the Central Bank of Chile:	17	38,064,200.8	42,840,420.9
Central Bank discount notes (PDBC)		37,846,043.8	42,257,128.4
Central Bank bonds in pesos (BCP)		58,624.7	171,593.3
Central Bank bonds in UF (BCU)		159,524.5	409,616.3
Indexed notes payable in coupons (PRC)		-	2,075.1
Other		7.8	7.8
Other liability accounts:		18,819.6	18,601.0
Provisions	18	18,773.4	18,552.6
Other liabilities		46.2	48.4
Equity:	19	(1.023.743,2)	3,251,774.7
Capital		3,416,943.8	(2,247,211.7)
Accumulated other comprehensive income		(1,498,993.5)	(165,169.1)
Retained earnings		(2,941,693.5)	5,664,155.5
Total liabilities and equity		68,721,098.9	78,870,344.8

Las notas adjuntas números 1 al 31 forman parte integral de estos estados financieros.

STATEMENT OF COMPREHENSIVE INCOME

for the years ended on 31 December 2022 and 2021

	Note	2022 CLP MM	2021 CLP MM
Net gain (loss) from international reserves	20	(157,155.2)	229.503,8
Interest income (expense):		98,918.9	(68,572.0)
Interest income		390,587.2	205,870.6
Interest expense		(291,668.3)	(274,442.6)
Fee and commission income (expense):		3,255.2	129.4
Income from fees and commissions		5,564.0	2,083.2
Expense from fees and commissions		(2,308.8)	(1,953.8)
Income from sale of investments:		(263,239.7)	299,293.5
Income from sale of investments		(263,239.7)	299,293.5
Other income (expense):		3,910.4	(1,347.1)
Derivative operations		6,791.6	620,1
Other		(2,881.2)	(1,967.2)
Net gain (loss) from other foreign operations	21	(136,649.4)	(85,854.1)
Interest expense:		(34,686.9)	(919.3)
Interest expense		(34,686.9)	(919.3)
Other income (expense):		(101,962.5)	(84,934.8)
FLAR institutional reserve		(50,367.3)	-
Expense from fees and commissions		(52,485.5)	(86,759.2)
Bank for International Settlements (BIS) dividend		947.6	1,889.1
Other		(57.3)	(64,.7)
Net gain (loss) from domestic operations	22	(2,530,492.5)	112,710.5
Interest and indexation income (expense):		(3,153,926.3)	83,884.3
Interest and indexation income		949,270.7	598,416.7
Interest and indexation expense		(4,103,197.0)	(514,532.4)
Other income (expense):		623,433.8	28,826.2
Derivative operations		616,786.8	-
Other		6,647.0	28,826.2

The accompanying notes 1 to 31 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME (continued)
for the years ended on 31 December 2022 and 2021

	Note	2022 CLP MM	2021 CLP MM
Net gain (loss) from FX operations:	23	31,936.4	5,536,208.2
Net gain (loss) from FX operations		31,936.4	5,536,208.2
Currency issuance, distribution, and processing costs:	24	(54,993.7)	(58,050.1)
Currency issuance, distribution, and processing costs		(54,993.7)	(58,050.1)
Personnel and administrative expenses:		(73,984.9)	(64,351.6)
Personnel expenses		(49,142.0)	(43,759.8)
Administrative expenses		(22,785.0)	(20,247.3)
Post-employment benefit costs	18	(2,057.9)	(344.5)
Other income (expense):		(20,354.2)	(6,011.2)
Depreciation and amortization	11-12	(3,678.8)	(3,673.0)
Taxes and contributions		(835.2)	(792.3)
Other		(15,840.2)	(1,545.9)
Profit (loss) for the year		(2,941,693.5)	5,664,155.5
Other comprehensive income		(1,333,824.4)	(673,860.2)
Items that will not be reclassified to profit or loss:		(3,752.2)	10,239.8
Fair value adjustments to equity instruments		(3,308.4)	7,728.5
Actuarial gains (losses) on post-employment benefit provision		(443.8)	2,511.3
Items that can be reclassified to profit or loss:		(1,330,072.2)	(684,100.0)
Fair value adjustments to debt instruments		(1,330,072.2)	(684,100.0)
Total profit (loss) for the year		(4,275,517.9)	4,990,295.3

The accompanying notes 1 to 31 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the years ended on 31 December 2022 and 2021

	Note	Other comprehensive income			Retained earnings		Total equity
		Capital	Actuarial gain or loss reserve	Fair value reserve	Foreign currency revaluation	Surplus (deficit) for the year	
		CLP	CLP	CLP	CLP	CLP	
Balance on 1 January 2021		(1,760,235.6)	42,659.7	466,031.4	—	(486,976.1)	(1,738,520.6)
Total comprehensive income in the year:							
Profit (loss) for the year		—	—	—		5,664,155.5	5,664,155.5
Other comprehensive income		—	10,239.8	(684,100.0)	—	—	(673,860.2)
Subtotal: Comprehensive income in the year		—	10,239.8	(684,100.0)	—	5,664,155.5	4,990,295.3
Other transactions in the year:							
Capitalization of deficit from previous year		(486,976.1)	—	—	—	486,976.1	—
Subtotal: Other transactions in the year		(486,976.1)	—	—	—	486,976.1	—
Balance on 31 December 2021		(2,247,211.7)	52,899.5	(218,068.6)	—	5,664,155.5	3,251,774.7
Balance on 1 January 2022		(2,247,211.7)	52,899.5	(218,068.6)	—	5,664,155.5	3,251,774.7
Total comprehensive income in the year:							
Profit (loss) for the year		—	—	—	—	(2,941,693.5)	(2,941,693.5)
Other comprehensive income		—	(3,752.2)	(1,330,072.2)	—	—	(1,333,824.4)
Subtotal: Comprehensive income in the year		—	(3,752.2)	(1,330,072.2)	—	(2,941,693.5)	(4,275,517.9)
Other transactions in the year:							
-Capitalization of surplus from previous year to add to opening capital		5,664,155.5	—	—	—	(5,664,155.5)	—
Unrealized foreign exchange gains (losses) in the year transferred to Foreign currency revaluation	23	—	—	—	(337,538.9)	337,538.9	—
Subtotal: Other transactions in the year		5,664,155.5	—	—	(337,538.9)	(5,326,616.6)	—
Balance on 31 December 2022		3,416,943.8	49,147.3	(1,548,140.8)	(337,538.9)	(2,604,154.6)	(1,023,743.2)

The accompanying notes 1 to 31 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS (DIRECT METHOD)

for the years ended on 31 December 2022 and 2021

	Note	2022 CLP MM	2021 CLP MM
Cash flows from operating activities			
International reserves:		8,680,074.0	(6,483,121.9)
Investment portfolio		8,291,831.7	(6,792,684.4)
Interest and commissions received on reserves		388,254.6	310,119.2
Taxes paid on reserve investments		—	(546.4)
(Payments) receipts for reciprocal credit agreements		(12.3)	(10.3)
Domestic assets:		1,697,100.0	(3,809,938.8)
Receipts (Disbursements) from loans to banks and financial institutions		17,954.0	(6,853,967.4)
Interest and indexation received from loans to banks and financial institutions		159,358.6	136,502.6
Domestic investment portfolio		1,290,966.2	2,744,946.2
Interest and indexation received from domestic investment portfolio		150,270.6	162,579.8
Charge on Treasury transfers	10a	78,550.6	—
Domestic liabilities:		(6,296,023.7)	7,048,460.5
Placement (redemption) of issued securities		(4,838,209.6)	21,776,477.9
Interest and indexation paid on issued securities		(3,329,940.4)	(413,563.9)
Increase/(Decrease) from deposits and obligations in CLP or UF		4,823,480.6	(15,679,259.2)
Interest and indexation paid on deposits and obligations		(650,029.4)	(86,351.3)
Increase/(Decrease) from deposits and obligations in FX		(2,301,324.9)	1,451,157.0
Other cash flows:		294,088.3	(91,989.9)
Payment for goods and services		(187,878.9)	(118,531.8)
Net cash inflows (outflows) for currency arbitrage		482,204.2	18,665.6
Fiscal agency fees and other income		4,668.6	4,686.9
Flows with international organizations		(4,905.6)	3,189.4
Total cash inflows/(outflows) from operating activities		4,375,238.6	(3,336,590.1)

The accompanying notes 1 to 31 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS (DIRECT METHOD) (continued)
for the years ended on 31 December 2022 and 2021

	Note	2022 CLP MM	2021 CLP MM
Cash flows from investing activities:			
Outflows, IMF		(491,556.9)	(435,535.8)
Dividends received, Bank for International Settlements (BIS)	8b	1,014.2	1,669.4
Proceeds from sale of property, plant, and equipment		8.0	23.8
Purchase of property, plant, and equipment		(5,833.7)	(7,959.6)
Purchase of intangible assets		(45.8)	(45.4)
Total cash inflows/(outflows) from investing activities		(496,414.2)	(441,847.6)
Cash flows from financing activities:			
Increase/(Decrease) in banknotes and coins in circulation	15	(3,607,815.7)	3,862,753.3
Total cash inflows/(outflows) from financing activities		(3,607,815.7)	3,862,753.3
Change in cash and cash equivalents in the year		271,008.7	84,315.6
Exchange rate effect		(24,946.1)	199,756.3
Cash and cash equivalents on 01 January		814,447.4	530,375.5
Cash and cash equivalents on 31 December	6	1,060,510.0	814,447.4

The accompanying notes 1 to 31 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022 and 2021

NOTE 1: INCORPORATION AND PURPOSE

The Central Bank of Chile (henceforth the Central Bank or the Bank) was created on 22 August 1925 by Decree Law N°486. It is constitutionally established as an independent technical institution with legal personality, its own equity, and indefinite duration, in accordance with 108 and 109 of the Constitution of Chile, and it is governed by its Basic Constitutional Act.

The Central Bank's objective is to safeguard the stability of the currency and the normal functioning of internal and external payments.

To meet this objective, the Bank is tasked with regulating the amount of money and credit in circulation, executing credit and foreign exchange operations, and dictating monetary, credit, financial, and foreign exchange regulations.

The Bank also holds the exclusive authority to print banknotes and mint coins that circulate as legal tender throughout the territory of the Republic of Chile.

The Bank is domiciled in Santiago, Chile, and its main offices are located at 1180 Agustinas Street.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of the financial statements

These financial statements have been prepared following the policies approved by the Board of the Central Bank of Chile, pursuant to Resolution N° 2513-01, of 10 November 2022, with the prior favorable assessment of the Financial Market Commission, as stipulated in Article 75 of the Bank's Basic Constitutional Act. The policies approved by the Board are in line with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

The presentation of these financial statements is based on an economic and accounting framework that fairly reflects the financial position of the Central Bank of Chile, while also facilitating the economic analysis of Central Bank operations by clearly identifying whether they are undertaken by domestic or foreign agents. For this reason, the economic concepts of international reserves and the monetary base are reported under the items Reserve assets and Monetary base liabilities, respectively.

(b) Basis of accounting and measurement focus

The financial statements are prepared on an accrual accounting basis, except for cash flow information. The measurement focus is historical cost, with the exception of transactions with financial instruments recorded at fair value through profit or loss, which are measured using fair value as a reference.

(c) Functional and presentation currency

Because the Central Bank's main objective is to safeguard the stability of the currency, open market operations play a significant role in the development of monetary policy, and one of the Bank's main activity is the issuance of banknotes and coins. Consequently, the Chilean peso has been defined as the financial statements' functional and presentation currency. The figures reported in the statements are stated in millions of Chilean pesos (CLP), while the figures in these notes are stated in either millions of Chilean pesos or millions of U.S. dollars (USD), as applicable, rounded to the nearest decimal.

(d) Transactions in foreign currency and foreign currency translation

The Bank's functional currency is the Chilean peso. Consequently, all balances and transactions denominated in currencies other than the Chilean peso are considered as denominated in foreign currency. The balances of the financial statements expressed in this currency are translated into Chilean pesos as follows:

- (i) U.S. dollars are converted to Chilean pesos at the closing date using the "observed" U.S. dollar exchange rate, as described in Article 44 of the Basic Constitutional Act governing the Central Bank of Chile and numeral VII of Chapter I of the Compendium of Foreign Exchange Regulations.
- (ii) Special drawing rights (SDR) are adjusted at the exchange rate for each business day in the month, reported by the Central Bank of Chile, except for the last business day of the month, when the exchange rate reported by the International Monetary Fund (IMF) is used.

(iii) The translation of foreign currencies other than the U.S. dollar is performed using the current exchange rates on the presentation date, as reported by an internationally recognized market price supplier, which are always based on the closing observed U.S. dollar exchange rate. At year-end 2022, the exchange rates reported by Reuters (WM Company) on 30 December via Data License (London close at 16:00 hours) were used. At year-end 2021, the exchange rates reported by BGN (Bloomberg Generic) on 31 December via Data License (London close at 16:00 hours) were used.

(iv) Assets and liabilities stated in Chilean minted gold are valued at the morning London Gold Fixing price (in U.S. dollars per fine troy ounce) on the closing business day of the financial statements.

The results from the purchase and sale of foreign currency, as well as differences arising from the updating of foreign exchange positions to reflect exchange rate fluctuations vis-à-vis the Chilean peso, are recorded as profit or loss for the year.

The exchange rates used for the main currencies at the close of each year are as follows:

	2022 CLP	2021 CLP
U.S. dollars	859.51	850.25
Yuan	123.64	133.77
Euro	917.31	966.73
Pound sterling	1,033.91	1,150.56
Australian dollar	582.88	617.62
South Korean won	0.68	0.71
Special drawing rights (SDR)	1,153.85	1,212.40

(e) Statement of cash flows

The statement of cash flows was prepared using the direct method, taking the following factors into account:

- (i) Cash flows: Inflows and outflows of cash and cash equivalents. Cash equivalents include deposits in foreign banks, cash balances in foreign currency, and deposits in national and foreign currency held by the Central Bank in correspondent banks.
- (ii) Operating activities: Normal activities carried out by the Central Bank with the exception of issuance, which is classified as a financing activity.
- (iii) Investing activities: The acquisition, sale, or disposal by other means of long-term assets and other investments not included in cash and cash equivalents.
- (iv) Financing activities: Activities that produce changes in the size and composition of net equity and liabilities and that are not included in operating or investing activities.

(f) Financial assets and liabilities

- (i) Initial recognition and measurement

Financial assets and liabilities are recognized on the statement of financial position if and only if the Bank becomes a party to the contractual provisions of the instrument in question. Financial assets and liabilities are initially measured at fair value, including, in the case of a financial asset or liability not recognized at fair value through profit or loss, the transaction costs that are directly attributable to the acquisition.

All conventional (normal) purchases and sales of financial assets (investment portfolio) are recognized and derecognized based on the trade date. Normal purchases and sales are those that require the delivery of the financial asset within a period that is, in general, either regulated or subject to established convention in the corresponding market.

(ii) Derecognition

Los activos financieros se dejan de reconocer cuando expiran los derechos contractuales sobre los flujos de efectivo del activo financiero, o se transfiera los derechos a recibir los flujos de efectivo contractuales en una transacción en la que se transfieren sustancialmente todos los riesgos y beneficios de la propiedad del activo financiero y no se retiene control sobre los activos transferidos. Los pasivos financieros serán dados de baja cuando la obligación especificada en el correspondiente contrato haya sido pagada o haya expirado.

Financial assets are derecognized when the contractual rights to receive the cash flows from the asset expire, or when the rights to the contractual cash flows are transferred in a transaction in which essentially all of the risks and rewards of ownership are passed on and control over the transferred assets is surrendered. The Bank derecognizes financial liabilities when the obligation specified in the contract is discharged or expires.

(iii) Offsetting

Financial assets and liabilities are offset, so the statement of financial position presents the net amount when the Bank has a legal right to offset the amounts and intends to settle the asset and liability simultaneously on a net basis.

(iv) Classification and subsequent measurement

Financial assets

The bank classifies its financial assets on the basis of its business model for financial asset management and the contractual cash flow characteristics of the assets. In the initial recognition, a financial asset is classified as measured at:

- Amortized cost (AC).
- Fair value through other comprehensive income (FVOCI).
- Fair value through profit or loss (FVTPL).

Financial assets are not reclassified after their initial recognition, unless the Bank changes its business model, in which case all the affected financial assets are reclassified prospectively on the date of the reclassification.

The definition of each classification is as follows:

a) Amortized cost (AC): A financial asset is measured at amortized cost if the following two conditions are met:

- The financial asset is carried under a held-to maturity business model, with the intention of collecting the associated contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that correspond solely to principal and interest payments.

These assets are measured at amortized cost using the effective interest method. The amortized cost is subsequently reduced for impairment losses. Interest revenue, foreign currency gains or losses, and impairment losses are recognized in profit or loss. Any gain or loss from the sale of a financial asset is recognized in profit or loss.

b) Fair value through other comprehensive income (FVOCI): A financial asset is measured at FVOCI if the following two conditions are met:

- The financial asset is carried under an available-for-sale business model with the intention of collecting the associated contractual cash flows and selling financial assets; and
- The cash flows correspond solely to principal and interest payments.

These assets are subsequently measured at fair value. Interest revenue calculated through the effective interest method, gains or losses from foreign exchange transactions, and impairment losses are recognized in profit or loss. Other net gains or losses are recognized in other comprehensive income (fair value adjustments). Any gain or loss from the sale of a financial asset is recognized in profit or loss.

At initial recognition of an investment in an equity instrument that is not held for trading, the Bank may make an irrevocable choice to present subsequent changes in fair value in other comprehensive income. This choice is made separately for each investment.

c) Fair value through profit or loss (FVTPL): Residual category for assets that do not meet the above criteria.

These assets are subsequently measured at fair value. Net gains or losses, including any income from interest or dividends, are recognized in profit or loss.

Financial liabilities

The Bank classifies and measures all its financial liabilities at amortized cost, using the effective interest method, with the exception of derivatives, which are measured at fair value.

(v) Business model assessment

The Bank performs an assessment, at the portfolio level, of the business model under which it holds its financial assets. This assessment reflects how the investments are managed. The information considered in this assessment includes the following:

- The policies and objectives established in the investment portfolio and their implementation in practice. These policies and objectives include whether the Bank's strategy is focused on collecting interest revenue, maintaining an interest yield profile, coordinating the duration of financial investments and the duration of liabilities and expected cash outflows, or obtaining cash flows from the sale of those assets.
- How the Bank assesses the performance of the investment portfolio and how this is reported to the Bank's key management personnel.
- The risks affecting the performance of the business model and investments held, and how these risks are managed.
- The frequency, value, and timing of sales of financial instruments in the portfolio in prior periods, the rationale for those sales, and expectations on future sales.

(vi) Assessment of whether contractual cash flows correspond solely to principal and interest payments

For the purposes of this assessment, principal is defined as the fair value of the financial asset at initial recognition. Interest is defined as the compensation for the time value of money, the credit risk associated with the outstanding principal in a particular period of time, and other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows correspond solely to principal and interest payments, the Bank considers the instrument's contractual terms, based on the currency in which the financial asset is denominated. This includes assessing whether a financial asset has a contractual feature that could change the timing or amount of the contractual cash flows so that it would not meet this condition. In performing this assessment, the Bank considers the following:

- Contingent events that could change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon, including variable rates;
- Prepayment and extension features; and
- Terms limiting the Bank's right to cash flows from specific assets.

(vii) Financial derivatives

Financial derivative contracts are initially recognized on the statement of financial position at fair value on the initial contract date.

In the international reserves, derivative contracts are used to hedge the investment portfolio's risk exposure (currency and interest rate risk), and not specific assets. In open market operations, derivative contracts are used to intervene in the foreign exchange market.

The Bank does not use accounting hedges. Thus, derivative contracts are initially classified as held-for-trading instruments (measured at fair value through profit or loss).

(viii) Securities lending

The Bank maintains a securities lending program which was maintained with the Bank's international reserve custodians. This program consists in the lending (overnight or up to 95 days) of securities owned by the Bank to primary dealers, who are required to constitute collateral higher than the amount of the security being loaned. The loaned securities are not derecognized from the statement of financial position, and they are controlled in off-balance accounts. Income from securities lending is recognized as a commission (see note 20).

(ix) Investment in equity instruments

The Bank has chosen the irrevocable option of presenting in other comprehensive income the subsequent changes in the fair value of equity investments, within the scope of IFRS 9, which are not held for trading. These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains or losses are recognized in other comprehensive income and are never reclassified in profit or loss.

(x) Repo operations in the local market

Credit instruments that are purchased under repurchase (repo) agreements (liquidity injection operations) are classified and measured at amortized cost at the effective interest rate (under Loans to banks and financial institutions). For these operations, the Bank recognizes the cash disbursement and constitutes a right (asset), initially measured at the agreed price or reimbursement amount, which relates to its fair value. Collateral received (securities purchased) is not recognized in the statement of financial position.

(xi) Special measures deriving from the COVID-19 health contingency

Since 2020, the Bank has implemented a series of special measures to inject liquidity into the economy and contain market volatility, which has implied recording unconventional operations on its financial statements. The accounting criteria applicable to these operations are as follows:

Liquidity lines:

Conditional Financing Facility for Increased Loans (FCIC) and the Liquidity Credit Line (LCL): Financial assets that are subsequently measured at amortized cost using the effective interest method and recorded under the heading Loans to banks and financial institutions. The objective of the FCIC and LCL is to provide a funding line for banks, with resources and incentives for them to continue financing and refinancing households and firms in the context of the pandemic.

Purchase of bank fixed-income securities to contain financial market volatility and intensify the monetary stimulus.

Purchase of bank bonds and time deposits: Financial assets that are subsequently measured at fair value through other comprehensive income and recorded under the heading Domestic investment portfolio.

Details on the balances of these operations are provided in Note 9: Domestic loans and investments.

(g) Monetary and non-monetary gold

Investments in monetary gold refer to the gold held by monetary authorities as reserve assets (central banks). The Central Bank believes that the most appropriate treatment of this type of asset, following the hierarchy established by IFRS, derives from the application of the Conceptual Framework for Financial Reporting issued by the IASB.

Consequently, investments in monetary gold are initially recognized at their fair value. Subsequent to initial recognition, gains or losses from changes in fair value, measured by prices on the London Metal Exchange, are directly recognized in the statement of income.

Non-monetary gold is included as part of artistic and/or cultural heritage assets and is measured on a historical cost basis.

(h) Property, plant, and equipment and intangibles

Property, plant, and equipment is valued at acquisition cost and is presented net of accumulated depreciation and any accumulated impairment losses. At the end of the asset's useful life, it is presented at its residual value, based on reference prices in the market. Depreciation is calculated on a straight-line basis.

Intangible assets are valued at acquisition cost and are presented net of accumulated amortization and any accumulated impairment losses. Amortization is calculated on a straight-line basis.

Depreciation and amortization for 2021 and 2020 were calculated using the following useful life estimates:

	Years	
	2022	2021
Buildings	50–80	50–80
Installations	10–20	10–20
Furniture and other equipment	3–10	3–10
Computer equipment	3–5	3–5
Vehicles	7	5
Intangible assets	5	5

The useful life of property, plant, and equipment and intangible assets is reviewed annually, and any change in the estimation is recognized prospectively.

(i) Artistic and/or cultural heritage assets

The IFRS do not establish a specific accounting treatment for artistic and/or cultural heritage assets. Therefore, following the hierarchy established in the IFRS, the most appropriate treatment is the application of International Public Sector Accounting Standards (IPSAS), which do address heritage assets. Under the acquisition method, the initial cost for historical banknote and coin collections and works of art correspond to: (i) the acquisition cost when the asset is purchased; or (ii) the value of the donation when the asset is donated or one peso when the cost is not reliable. Artistic and/or cultural heritage assets for non-operating use are not subject to depreciation and are presented under the heading Domestic assets, in the Other assets account.

(j) Leases

The Central Bank does not lease out equipment, real estate, or any other of its assets to third parties.

- Applicable policy:

A contract is, or contains, a lease if it transfers the right to use a specified asset for a period of time in exchange for compensation. On the start date of the lease contract, a right-of-use asset is created for the leased good at cost, which includes the initial measure of the lease liability plus other disbursements made, with the exception of short-term leases and leases where the underlying asset is of low value, which are recognized directly in profit or loss.

The amount of the lease liability is measured at the present value of future lease payments that have not been paid on that date, which are discounted using the Bank's incremental financing interest rate.

The Bank has chosen not to recognize right-of-use assets and lease liabilities with a term of 12 months or less and with low-value assets. The Bank recognizes the payments associated with these leases as an expense on a straight-line basis during the term of the lease contract.

(k) Impairment of assets

Financial assets

The Bank recognizes a loss allowance account for expected credit losses on:

- Financial assets measured at amortized cost (AC);
- Debt investments measured at fair value through other comprehensive income (FVOCI).

The Bank measures the loss allowance as the total expected credit loss over the life of the asset, with the exception of the following financial assets, where the loss allowance is measured as the expected credit loss over 12 months:

- Debt instruments determined to have a low credit rating on the reporting date; and
- Other investment instruments for which credit risk (that is, the risk of default during the expected life of the financial instrument) has not increased significantly since the initial recognition.

In determining whether the credit risk on a financial instrument has increased significantly from initial recognition in estimating expected credit losses, the Bank considers reasonable and sustainable information that is available without undue cost or effort. This includes quantitative and qualitative information and analyses, based on the Bank's historical experience and an informed credit assessment, including forward-looking assessments.

Quantitatively, the Bank assumes that the credit risk of a financial asset has significantly increased if it is over 30 days past due.

The Bank considers a financial asset to be in default when:

- It is not probable that the borrower or issuer will pay or meet their credit obligations in full, without actions by the Bank to recover the amount, such as the performance of the collateral (if any); or
- The financial asset is past due by 90 days or more.

Expected credit losses are the probability-weighted average of credit losses. Credit losses are measured as the present value of cash shortfalls (i.e., the difference between the cash flow owed under the contract and the cash flows that the Bank expects to receive).

Expected credit losses are discounted using the effective interest rate of the financial asset.

At each reporting date, the Bank assesses whether the financial assets recorded at amortized cost and debt instruments at fair value through other comprehensive income are credit-impaired. A financial asset is credit-impaired if one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following financial data from the issuer or borrower:

- A breach of contract, such as default or event of default of more than 90 days;
- A growing probability that the borrower or issuer will enter into bankruptcy or another form of financial reorganization; or
- The disappearance of an active market for the financial asset in question because of financial difficulties.

The Bank uses the expected credit loss model, applying the standard risk model: $ECL=PD*LG D *EAD$, where

- ECL: Expected credit loss (\$)
- PD: Probability of default (%)
- LGD: Loss given default (%)
- EAD: Exposure at default (\$)

These model concepts are explained in Note 5 (b-5), and credit exposures are shown in the tables in Note 5 (b-3).

The impairment model is applicable to financial assets measured at amortized cost or at fair value through other comprehensive income (FVOCI), except for investments in equity securities.

Loss estimates will be measured using one of the following bases:

- Expected credit losses in the next 12 months: These are expected credit losses that may result from events of default within 12 months of the reporting date. If at the reporting date, the credit risk of a financial instrument has not significantly increased from initial recognition, the Bank will measure the loss allowance at an amount equal to the 12-month expected credit loss.
- Expected credit loss over the life of the asset: These are expected credit losses that may result from events of default over the life of a financial instrument.

The amount of expected credit losses or reversals will be recognized as an impairment gain or loss in profit or loss. However, the adjustment to the asset account for losses associated with assets measured at FVOCI should be recognized in other comprehensive income, and it will not reduce the carrying amount of the financial asset.

Non-financial assets

The carrying amount of nonfinancial assets is revised at each reporting date to determine whether there is any indication of impairment. If such indications exist, then the recoverable amount of the asset is estimated.

The recoverable amount of an asset is the higher of its value in use and its fair value, less selling costs. The value in use is based on the estimated future cash flows at present value, using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount.

(!) Employee benefits

Short-term benefits

Short-term employee benefits are recognized as an expense when the related service is provided on an accrual basis. An obligation is recognized for the expected amount payable if (i) the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and (ii) the obligation can be estimated reliably.

Long-term benefits

The Bank recognizes long-term benefits using an actuarial valuation method that considers demographic and financial variables (projected unit credit method). It is measured at the present value of all future payments using an annual discount interest rate, considering the expected employment term and life expectancy of beneficiaries. Changes in benefit provision due to actuarial variables are recognized in Other comprehensive income (equity).

- Post-employment benefits correspond to employee benefits that are payable after the completion of employment at the Central Bank, as stipulated in the collective agreement between the Bank and the Labor Union.
- Other long-term employee benefits include all employee benefits other than short-term benefits, post-employment benefits, and severance indemnities.

The actuarial calculation is based on the following assumptions:

- Mortality rate: For 2022 and 2021, the Bank used the RV-2014 mortality table to determine expected lifespan in the calculation of benefits associated with severance indemnity, post-employment benefits associated with the retirement health plan, and benefits of the former Association of Retired Employees and Pension Beneficiaries of the Central Bank of Chile
- Employee turnover: The probability of remaining an employee of the Bank was calculated on the basis of tables prepared by the Bank, considering average turnover in the last four years.
- Wage growth rate: The wage growth rate, calculated as the composite average annual growth rate of nominal wages in the last year, was 5.12% (5.47% for 2021).
- Discount rate: The Bank uses the nominal ten-year BCP bond rate on the calculation date, which was 5.48% (5.6% for 2021).

(m) Provisions and contingents liabilities

Provisions are liabilities of uncertain timing or amount. These provisions are recognized on the statement of financial position when both of the following requirements are met:

- It is a present obligation arising from past events; and
- At the reporting date, it is probable that the Bank will have to disburse funds to settle the obligation, and the amount of the settlement can be reliably estimated.

When the disbursement of funds is not probable or when it is not possible to obtain a reliable estimate of the obligation, the Bank discloses a contingent liability.

(n) Revenue and expense recognition

The most relevant criteria used by the Bank for recognizing revenue and expenses in the financial statements are as follows:

- Interest income and expense are recognized based on the accrual period, applying the effective interest method, with the exception of interest on assets classified as fair valued through profit or loss (FVTPL), where interest income is recognized on a straight-line basis using the coupon rate.
- Fee and commission income and expense and other revenue from the rendering of services are recognized in profit or loss in the period in which services are rendered. In the event the commission is associated with an event that occurs or accrues only once, it is recognized at that time.
- Nonfinancial revenue, costs, and expenses are recognized to the extent that economic events occur, so that they are systematically recorded in the corresponding accounting period.

- Income and expense from changes in the fair value of financial assets measured at fair value are reported in other comprehensive income (equity) and will be recognized in profit or loss on the date of disposal, with the exception of changes in fair value for assets classified at FVTPL, which are directly charged to profit or loss.

(o) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis by the Central Bank's senior management in order to quantify some assets, liabilities, income, expenses, and uncertainties. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have an important effect on the amounts recognized in the financial statements are described in the following notes:

- Note 2(h) Property, plant, and equipment and intangible assets: Estimation of useful life, depreciation or amortization, and residual value.
- Note 2(l) Employee benefits: Basis for actuarial calculation.
- Note 4 Fair value: Methodology applied for the measurement of fair value.
- Note 5(b), Financial instrument risks and risk management; 5(b)-3 Expected credit loss.
- Note 10(b) Central Savings and Loan Fund and the National Savings and Loan Association.

(p) New accounting pronouncements

Amendments (effective application in 2022)		Date of mandatory application
IFRS 3	Reference to the Conceptual Framework	1 January 2022
IAS 16	Property, plant, and equipment: Proceeds before intended use	1 January 2022
IAS 37	Onerous Contracts: Cost of Fulfilling a Contract	1 January 2022
IFRS 1, IFRS 9, IFRS 16, IAS 41	Annual improvements to the 2018–2020 standards	1 January 2022

The Bank has evaluated the impact of the new accounting pronouncements and concluded that they do not affect the accounting records of the Bank's current operations.

Standards or interpretations (after 2022)		Date of mandatory application
IFRS 17	Insurance contracts	1 January 2023

Applicable amendments (after 2022)		Date of mandatory application
IAS 8	Definition of accounting estimates	1 January 2023
IAS 8	Definition of accounting estimates	1 January 2023
IAS 1	Disclosure of accounting policies	1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IAS 1	Classifying liabilities as current or non-current	1 January 2024
IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024

The Bank has conducted a preliminary analysis of each applicable amendment and has concluded that they do not affect the accounting records of the Bank's current or future operations.

NOTE 3: CAMBIOS CONTABLES

The accounting policies described in these financial statements, for the year ended on 31 December 2022, are consistent with the application of accounting policies for the year ended on 31 December 2021.

NOTE 4: FAIR VALUE

Fair value is defined as the price that would be received for the sale of an asset or paid for the transfer of a liability in a transaction under current market conditions, independent of whether this price is directly observable or estimated using another valuation technique.

IFRS 13 Fair Value Measurement establishes a fair value hierarchy, which classifies the valuation inputs and/or technical assumptions used to measure the fair value of financial instruments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to measures that rely strongly on unobservable inputs (level 3). The three levels in the fair value hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access on the measurement date;
- Level 2: Input data other than quoted market prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Unobservable input data for the asset or liability.

Given the characteristics of the investment instruments held by the Bank (mainly fixed-income instruments traded in highly liquid, deep secondary markets), they are largely covered by level 1 (quoted prices) of the fair value hierarchy.

The fair value and hierarchy level of international reserves instruments that are measured at fair value on a recurring basis are shown in Note 7(b).

The fair value and hierarchy level of domestic instruments that are measured at fair value on a recurring basis are shown in Note 9(b).

Solely for informative purposes, the following table compares the accounting book value (the recorded value of assets and liabilities) and the corresponding fair value at the close of each year.

Central Bank of Chile Statement of Financial Position (CLP MM)	2022			2021		
	Book value	Fair value	Difference *	Book value	Fair value	Difference
	(a)	(b)	(b-a)	(a)	(b)	(b-a)
International reserves	33,653,359.9	33,653,359.9	—	43,643,187.4	43,643,187.4	—
Other foreign assets	679,525.9	679,525.9	—	251,529.8	251,529.8	—
Loans to banks	28,949,350.7	26,132,348.5	(2,817,002.2)	28,963,155.0	26,179,420.3	(2,783,734.7)
Domestic investment portfolio	5,069,607.7	5,069,607.7	—	5,590,565.4	5,590,565.4	—
Treasury transfers	315,192.2	277,518.7	(37,673.5)	350,802.7	277,574.3	(73,228.4)
Other asset accounts	54,062.5	54,062.5	—	71,104.5	71,104.5	—
Total assets	68,721,098.9	65,866,423.2	(2,854,675.7)	78,870,344.8	76,013,381.7	(2,856,963.1)
Foreign liabilities	2,959,657.5	2,959,657.5	—	3,090,179.5	3,090,179.5	—
Monetary base	17,641,229.9	17,641,229.9	—	21,456,306.0	21,456,306.0	—
Other deposits and obligations	11,060,805.5	11,060,805.5	—	8,212,925.9	8,212,925.9	—
Obligations with the Treasury	128.8	128.8	—	136.8	136.8	—
Securities issued	38,064,200.8	38,068,410.7	4,209.9	42,840,420.9	42,844,978.0	4,557.1
Other liability accounts	18,819.6	18,819.6	—	18,601.0	18,601.0	—
Total Liabilities	69,744,842.1	69,749,052.0	4,209.9	75,618,570.1	75,623,127.2	4,557.1

*The difference between fair value and book value is due to the discount of future flows at a market rate other than the rate set on the instrument. Fair value approximates book value in those items that by their nature are short term, such as cash, time deposits, monetary base, deposit liabilities, and obligations in general.

The Bank determines the fair value of financial assets and liabilities for which there is a difference between their fair value and book value as follows:

- Loans to banks and financial institutions (note 9 a)

Under the heading Loans to banks and financial institutions, operations for which there is a difference between book value and fair value are the Conditional Financing Facility for Increased Loans (FCIC), pays weekly interest at a fixed annual rate of 0.5%, with a maximum maturity of (a) FCIC1: March 2024; (b) FCIC2-FOGAPE: July 2024; and (c) FCIC3: July 2024.

The fair value measurement of these loan operations is based on the present value method, using market rates on Central Bank and Treasury bullet bonds in pesos (BTP) co with maturity dates around March 2024 and June 2024. The discount rate used in this exercise was as follows: FCIC1: 8.93%; FCIC2-FOGAPE: 7.85%; and FCIC3 (in 2021, FCIC1: 5.48%; LCL: 4.31%; FCIC2-NBL: 4.52%; and FCIC2-FOGAPE and FCIC3: 5.77%).

- Treasury transfers (note 10 a)

The fair value measurement is based on the present value of annual installments due at the end of each year, although the Treasury can make payments at any point in the year. The estimate of the fair value of installments for 2022, considering the prepayment of 20% of the debt made in October 2022, used the market rate at year-end 2022 of 1.72% on the UF-denominated bond BTU0300338 with maturity in March 2038. For 2021, the estimate used the market rate of 2.40% on the UF-denominated bond BCU0300241 with maturity in February 2041.

- Securities issued (note 17)

The Central Bank's debt portfolio has been valued based on the present value of flows using the parameters supplied by the Risk America website.

NOTE 5: FINANCIAL INSTRUMENT RISKS AND RISK MANAGEMENT

The Central Bank's objective is to safeguard the stability of the currency, that is, to keep the inflation rate low and stable over time. The Bank also promotes the stability and efficiency of the financial system, safeguarding the normal functioning of internal and external payments.

To meet these objectives, the Bank holds international reserves, which are liquid assets in foreign currency, mainly financial instruments that are traded and kept in custody overseas, such as government notes and bonds, bank deposits, etc.

Additionally, the Bank implements its monetary policy through the definition of a target level for the nominal interbank interest rate, known as the monetary policy rate (MPR). To bring the interbank rate to the desired level, the Bank regulates the availability of liquidity in the financial system using several financial instruments related to debt management, the purchase of financial assets in the local market, and open-market operations with institutions in the local market, through the issuance of securities and the reception of time deposits.

In 2022, the Bank continued implementing special measures to support the flow of credit, with the objective of mitigating the effects of the economic and financial stress caused by the persistence of the COVID-19 pandemic, through the three phases of the Conditional Financing Facility for Increased Loans (FCIC). In March 2022 the Liquidity Credit Line (LCL) ended, and nearly 100% of the associated resources were transferred to the FCIC1 line. In June 2022, CLP 36.9 billion came due on the line for nonbank lenders (NBL), which is part of the FCIC2 program. Finally, in July 2022, a foreign exchange intervention and liquidity provision program was announced through 30 September for up to USD 25.0 billion, of which up to USD 10.0 billion would be sold on the spot market, up to USD 10.0 billion in hedging instruments, and up to USD 5.0 billion in a currency swap program.

The intervention and liquidity provision program resulted in spot dollar sales of USD 6.15 billion (61.5% of the total program), swaps of USD 201 million (4.0% of the program), and currency forwards of over USD 9.00 billion on average, which are still current. This reduced the assets on the Bank's balance sheet, which at year-end 2022 were equivalent to 25.1% (1) of GDP, versus 32.6% at year-end 2021. These measures, together with those implemented in 2021 and 2020, have reconfigured the balance sheet, where local assets represented 50.0% of total assets at year-end 2022 (44.3% in 2021). In addition to the increases recorded in assets and domestic liabilities, there was a reduction in equity, mainly due to lower gains from exchange rate fluctuations and higher Interest and indexation expense on debt issued by the Bank. These trends were magnified by the increase in the negative interest rate differential between assets and liabilities, due to repeated increases in the MPR, which have also been faster than in the economies where the international reserves are invested.

1 GDP expressed in national currency; 2022 forecast assumes real GDP growth of -2.2% and average inflation of 12.8%.

The Bank's financial instrument risks are related to the risks of managing the asset and liability portfolio, and they have an effect on the Bank's equity (namely, risks deriving from international reserve management, the purchase of local financial assets, and open-market operations). These include market risk, credit risk, liquidity risk, and operational risk.

Financial risk management is established and based on general policies approved by the Board of the Central Bank. The Financial Markets Division submits proposals on the definition of guidelines and international asset and debt exposure limits to the General Manager and the Board for their approval, following approval by the Corporate Risk Division.

Within the Financial Markets Division, the Market Operations Area is responsible for implementing the policies established by the Board; the Strategic Business Management Area defines the strategy, measures the results of the operations, and manages the transactional systems in which they are carried out; and the Operations and Payment Systems Area records, processes, and settles the operations.

The Corporate Risk Division identifies, assesses, measures, and monitors the Bank's risks, defining, reviewing, and periodically updating the models and methodologies for ensuring the proper management of those risks. Within the Corporate Risk Division, the Financial Risk Department calculates the financial risks associated with the strategies implemented by the money desks in their financial operations with the Bank's assets and liabilities and acts as a technical counterpart in managing the risks inherent in those operations. The Office of the General Auditor, which reports directly to the Board, assesses the efficacy and efficiency of the internal control, risk management, and governance of the financial asset and liability portfolio management process.

Finally, the Audit and Compliance Committee, which acts as an external advisor to the Board, reports on the efficacy of the internal control systems and procedures that are used in the financial asset and liability portfolio management process and evaluates the reliability, integrity, and timeliness of the information in the financial statements.

(a) Market risk

Market risk is the risk of potential losses due to changes in the market price of an instrument or group of instruments. These variations could potentially have a negative impact on the Bank's bottom line. Market risk mainly derives from fluctuations in currencies and interest rates. In the case of the international reserves, the main risk for the Bank's balance sheet is the fluctuation of the investment currencies against the local currency, while in the case of local asset investments, the main market risk is associated with the volatility of local interest rates and changes in the Unidad de Fomento (UF), an inflation-indexed unit of account used in Chile. In the case of liabilities, the greatest impact arises from changes in the MPR, which affects the valuation of short-term debt.

The market risk of the international investment portfolio is largely determined by the benchmark (reference index).

Table 5.1 shows the global benchmark allocation of the reserves at year-end 2022 and 2021.

2022			2021		
Currency	Investment portfolio		Currency	Investment portfolio	
	Share	Duration		Share	Duration
	%	Years		%	Years
USD	77%	2.7	USD	77%	3.1
CNY	8%	2.6	CNY	8%	2.6
EUR	5%	2.6	EUR	5%	5.7
GBP	4%	2.9	GBP	4%	5.6
AUD	3%	3.1	AUD	3%	3.1
KRW	3%	2.7	KRW	3%	2.8
Total	100%	2.6	Total	100%	3.2

In the case of the local currency investment portfolio, there is no established benchmark, and the portfolio is not actively managed. At year-end 2022, 31.7% of the portfolio had been purchased under the program whose objective was to contain market volatility, 62.0% under the program whose objective was to intensify the monetary stimulus, and 6.3% under the coupon reinvestment program; this compares with shares at year-end 2021 of 46.4%, 48.2%, and 5.4% respectively.

a-1. Currency risk

Given the nature of its assets and liabilities, the Bank is exposed to currency risk to the extent that its assets are primarily denominated in foreign currency and its liabilities in national currency.

Currency risk is defined as the potential loss to which a portfolio is exposed due to exchange rate fluctuations in the currencies in the portfolio. In the case of the investment portfolio, currency risk is determined by the benchmark allocation (77% USD and 23% in other currencies with different shares). Local assets, in turn, are made up entirely of securities denominated in pesos and UF, so they are not exposed to currency risk. Finally, the Bank's liabilities are denominated entirely in national currency.

Table 5.2 shows the balance sheet exposure to currency risk as of 31 December 2022.

2022 CLP MM	U.S. dollar (USD)	Yuan (CNY)	Euro (EUR)	Pound sterling (GBP)	Australian dollar (AUD)	S. Korean won (KRW)	Other foreign currencies	Chilean peso (CLP)	Total
International reserves	23,557,348.0	2,336,927.7	1,443,438.5	1,145,015.5	874,353.8	894,597.6	3,401,678.8	—	33,653,359.9
Other foreign assets	542,849.0	—	—	—	—	—	136,676.9	—	679,525.9
Domestic loans	—	—	—	—	—	—	—	34,018,958.4	34,018,958.4
Operations under specific legal regulations	—	—	—	—	—	—	—	315,192.2	315,192.2
Other asset accounts	541.8	—	14.7	—	—	—	—	53,506.0	54,062.5
Total assets	24,100,738.8	2,336,927.7	1,443,453.2	1,145,015.5	874,353.8	894,597.6	3,538,355.7	34,387,656.6	68,721,098.9
Foreign liabilities	(68,628.2)	—	—	—	—	—	(2,884,797.4)	(6,231.9)	(2,959,657.5)
Monetary base	—	—	—	—	—	—	—	(17,641,229.9)	(17,641,229.9)
Deposits and obligations	(1,479,694.5)	—	(204.7)	(11.9)	—	—	(246.8)	(9,580,776.4)	(11,060,934.3)
Securities issued	—	—	—	—	—	—	—	(38,064,200.8)	(38,064,200.8)
Other liability accounts	—	—	—	—	—	—	—	(18,819.6)	(18,819.6)
Total liabilities	(1,548,322.7)	—	(204.7)	(11.9)	—	—	(2,885,044.2)	(65,311,258.6)	(69,744,842.1)
Net foreign currency position (Assets – Liabilities)	22,552,416.1	2,336,927.7	1,443,248.5	1,145,003.6	874,353.8	894,597.6	653,311.5	(30,923,602.0)	(1,023,743.2)
Percent foreign currency	75%	8%	5%	4%	3%	3%	2%		

Table 5.3 shows the balance sheet exposure to currency risk as of 31 December 2021

2021 CLP MM	U.S. dollar (USD)	Yuan (CNY)	Euro (EUR)	Pound sterling (GBP)	Australian dollar (AUD)	S. Korean won (KRW)	Other foreign currencies	Chilean peso (CLP)	Total
International reserves	31,662,738.1	2,945,344.0	1,826,491.0	1,453,329.1	1,103,321.8	1,078,043.4	3,573,920.0	—	43,643,187.4
Other foreign assets	111,875.6	—	—	—	—	—	139,654.2	—	251,529.8
Domestic loans	—	—	—	—	—	—	—	34,553,720.4	34,553,720.4
Operations under specific legal regulations	—	—	—	—	—	—	—	350,802.7	350,802.7
Other asset accounts	94.3	—	5,741.3	—	—	—	—	65,268.9	71,104.5
Total assets	31,774,708.0	2,945,344.0	1,832,232.3	1,453,329.1	1,103,321.8	1,078,043.4	3,713,574.2	34,969,792.0	78,870,344.8
Foreign liabilities	(67,888.8)	—	—	—	—	—	(3,017,605.8)	(4,684.9)	(3,090,179.5)
Monetary base	—	—	—	—	—	—	—	(21,456,306.0)	(21,456,306.0)
Deposits and obligations	(3,672,617.1)	—	(288.1)	(12.8)	—	—	(242.4)	(4,539,902.3)	(8,213,062.7)
Securities issues	—	—	—	—	—	—	—	(42,840,420.9)	(42,840,420.9)
Other liability accounts	—	—	—	—	—	—	—	(18,601.0)	(18,601.0)
Total liabilities	(3,740,505.9)	—	(288.1)	(12.8)	—	—	(3,017,848.2)	(68,859,915.1)	(75,618,570.1)
Net foreign currency position (Assets – Liabilities)	28,034,202.1	2,945,344.0	1,831,944.2	1,453,316.3	1,103,321.8	1,078,043.4	695,726.0	(33,890,123.1)	3,251,774.7
Percent foreign currency	75%	8%	5%	4%	3%	3%	2%		

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a-2. Interest rate risk

Interest rate risk implies that either the fair value or the effective future flows of a financial instrument can fluctuate due to variations in market interest rates.

Most of the Bank's international assets (international reserves) and some of its domestic assets (bank bonds) are exposed to interest rate risk, since these assets are made up almost entirely of fixed-income instruments. An increase in interest rates translates into a reduction in the market value of fixed-income instruments, while a reduction in the interest rate level has the opposite effect. The other financial assets and liabilities (valued at amortized cost) are subject to either a fixed rate or no interest rate.

Interest rate risk sensitivity is measured using the dollar value of a basis point (DV01), that is, the change in market value in response to a one-basis-point change in interest rates.

Table 5.4 presents the DV01 on 31 December 2022 and 2021.

Monto CLP MM	International reserves (USD MM)		Bank bonds (CLP MM)	
	2022	2021	2022	2021
U.S. dollar (USD)	6.20	8.40		
Yuan (CNY)	0.69	0.85		
Euro (EUR)	0.42	0.55		
Pound sterling (GBP)	0.33	0.47		
Australian dollar (AUD)	0.26	0.38		
South Korean won (KRW)	0.26	0.32		
Chilean peso (CLP)			955.5	1,057.1
Total	8.16	10.97	955.5	1,057.1

International reserves

The market risk of the international reserves is limited by the investment policy, which establishes ranges for duration and currency allocation around the benchmark portfolio parameters, and through the diversification of investment currencies, instruments, and duration.

The international reserve investment policy allows investment in liquid financial assets that meet the legal requirements established for reserve management. The policy is designed considering the impact on profit and risk on the Bank's balance sheet and potential liquidity needs in foreign currency, where the primary goal is the preservation of capital in the face of possible market fluctuations.

Market risk is monitored daily by measuring portfolio duration and currency allocation and tracking the value at risk (VaR), expected shortfall, and tracking error (TE). The VaR is the statistical calculation of the maximum loss that could be incurred by a portfolio of financial instruments as a result of exposure to different risks, including interest rate and exchange rate fluctuations, over a given period of time under normal market

conditions, within a specified confidence interval. Expected shortfall estimates expected loss for areas of the VaR curve, while the tracking error measures the difference in risk between the portfolio and the benchmark.

The Bank can contract derivatives, namely, rate futures (Eurodollars) and bond futures (U.S. Treasury bonds), to manage rate risk and hedge exposure to undesired risks in the investment portfolio, within the guidelines established in the investment policy.

Table 5.5 presents the different market risk measures that are monitored.

		2022	2021
Mount (CLP MM)*		29,191,561.9	39,256,421.6
Duration	Portfolio	30.24	31.3
Months	Deviation	-0.07	-1.1
Currency composition (%)	USD	76.8%	78.7%
	EUR	5.0%	4.7%
	Other	18.2%	16.6%
VaR** and TE, internal investment portfolio	VaR Absolute %	6.6%	3.2%
	VaR by rate %***	4.1%	2.2%
	VaR by currency %***	2.5%	1.0%
	VaR, thousands of USD per day	111,750.4	70,382.1
	Expected Shortfall % ****	7.9%	4.5%
	Tracking error (bp)	2.2	5.6
VaR** and TE, BNP external investment portfolio	VaR Absolute %	6.7%	2.9%
	VaR, thousands of USD per day	1,983.1	917.8
	Tracking error (bp)	8.7	25.1
VaR** y TE, Allianz external investment portfolio	VaR Absolute %	6.7%	3.2%
	VaR, thousands of USD per day	1,974.3	995.4
	Tracking error (bp)	8.7	9.4

* Share of the investment portfolio in international reserves.

**VaR and TE: A parametric VaR estimation method is used, through the allocation of risk factors on the securities in the portfolio. A variance-covariance matrix is defined for the factors using an exponential decay model with a factor of 94%. The VaR is presented with an 95% confidence level. The VaR and TE are measured in U.S. dollars and are presented relative to the investment portfolio. At year-end 2021, the risk budget for the internal and external investment portfolio was a monthly average of 40 basis points, which cannot exceed 50 basis points at any given time.

bp: basis points.

*** VaR by rate and currency: each factor is calculated independently and weighted by its total contribution. Correlation effects are ignored for the purpose of attribution.

**** Expected shortfall is a risk measure for estimating the expected loss conditional on being in a specific area of the VaR curve. As for the other measures, an annual forecast horizon is used.

Local asset investment portfolio (special measures)

At year-end 2022, the investment portfolio is made up of directly purchased bank bonds, as at year-end 2021. In this case, market risk manifests as the possible change in the value of bank bonds held in the portfolio (direct purchase) due to interest rate fluctuations in the secondary market and changes in the UF.

The market risk of the bank bond portfolio is monitored daily, based on indicators such as VaR and its offshoots, the daily market valuation of the bonds, their duration (interest rate risk), their currency composition, and the interest rate structure by currency.

The impact of the local asset portfolio's performance on the Bank's income and the associated financial risks on the Bank's balance sheet are monitored daily and reported to the Financial Risk Committee and the Board quarterly.

Table 5.6 presents the different risk measures that are monitored.

		2022 CLP MM	2021 CLP MM
Amount	Bank bond portfolio	4,922,482.6	5,590,565.4
Duration* Months	Bank bond portfolio	23.3	22.7
VaR CLP MM	Bank bond portfolio	13,850.5	23,261.8
Currency composition (%)	Bank bond portfolio UF	98.3%	96.5%
	Bank bond portfolio CLP	1.7%	3.5%
	Total	100%	100%

* The duration of UF-denominated bonds is adjusted by a factor of 0.5.

Open market operations

For open market operations, market risk is mainly associated with differences in value between the primary and secondary markets for bonds and notes issued by the Central Bank. This risk is mitigated by the current regulatory provisions, contained in the CBC Compendium of Monetary and Financial Regulations, on the placement and sale of debt securities through competitive auctions among financial institutions. Once the securities have been issued, the main risk is associated with changes in inflation, which affect bonds denominated in Unidad de Fomento (UF).

The market risk indicators that are monitored include the duration and currency in which debt securities are issued.

In 2022, the long-term debt portfolio decreased CLP 365,135.5 million, mainly due to the expiration of BCP and BCU bonds. In the case of short-term debt, the reduction of CLP 4,411,084.6 million reflects adjustments related to the banking intervention.

Table 5.7 Structure and risk of the Central Bank of Chile's debt portfolio, 31 December 2022.

Instrument, by issue	CLP MM	% UF	Duration (months)
Short-term	37,846,043.8	—	1.1
Long-term	218,157.0	73.1%	45.2
Total*	38,064,200.8	0.4%	1.3

*For %UF and Duration (months), the total is a weighted average

Table 5.8 Structure and risk of the Central Bank of Chile's debt portfolio, 31 December 2021.

Instrument, by issue	CLP MM	% UF	Duration (months)
Short-term	42,257,128.4	—	0.4
Long-term	583,292.5	70.6%	10.7
Total*	42,840,420.9	1.0%	0.5

* For %UF and Duration (months), the total is a weighted average.

(b) Credit risk

Credit risk is the risk of potential losses due to a counterparty failing to make a payment. The main source of credit risk derives from international reserve investments in debt instruments issued by foreign countries and financial institutions, as well as the investments in bank bonds and time deposits in the local asset portfolio. The FCIC is backed by collateral (eligible securities are listed in Appendix N° 1 of the FCIC regulations), and open market operations and liquidity facilities for the domestic financial system (repos; the intraday liquidity facility, FLI; and the standing liquidity facility, FPL) are backed either by the securities that are purchased or by securities given as collateral.

b-1. Credit risk: International reserves

For international investments, credit risk is mitigated by controls and limits established in the investment policies, including limits by type of risk (agency, bank, sovereign, and supranational), by type of instrument, issuer, counterparty's issuer credit rating, risk management of brokers, and custodians. In the case of sovereign risk, the credit rating is calculated as the average rating by Fitch, Moody's, Standard and Poor's and Dominion Bond Rating Service (DBRS). If only two ratings are available, the lower is used; if only one rating is available, that rating is used. In the case of agency, bank, and supranational risk, the same logic applies, using the first three credit rating agencies.

Table 5.9 Investment portfolio composition by credit risk, 31 December 2022.

Credit rating	Type of credit risk				Total
	Agency	Bank	Sovereign	Supranational	
AAA	0.1%	0.5%	76.7%	2.1%	79.4%
AA+, AA, AA-	0.2%	0.0%	10.7%	0.0%	10.9%
A+, A	0.0%	0.9%	8.8%	0.0%	9.7%
Total	0.3%	1.4%	96.2%	2.1%	100.0%

Table 5.10 Investment portfolio composition by credit risk, 31 December 2021.

Credit rating	Type of credit risk				Total
	Agency	Bank	Sovereign	Supranational	
AAA	0.1%	0.0%	77.9%	1.6%	79.6%
AA+, AA, AA-	0.0%	0.0%	10.3%	0.0%	10.3%
A+, A	0.0%	1.0%	9.1%	0.0%	10.1%
Total	0.1%	1.0%	97.3%	1.6%	100.0%

Table 5.11 Investment portfolio composition by geographic concentration, 31 December 2022.

Country	Type of credit risk				Total	CDS (bp)
	Agency	Bank	Sovereign	Supranational		
United States	0.0%	0.0%	73.4%	0.0%	73.4%	24.97
China	0.0%	0.9%	7.1%	0.0%	8.0%	75.05
United Kingdom	0.0%	0.0%	4.1%	0.0%	4.1%	27.77
South Korea	0.1%	0.0%	3.1%	0.0%	3.2%	54.94
France	0.1%	0.0%	3.2%	0.0%	3.3%	27.24
Other	0.1%	0.5%	5.3%	2.1%	8.0%	—
Total	0.3%	1.4%	96.2%	2.1%	100%	—

Table 5.12 Investment portfolio composition by geographic concentration, 31 December 2021.

País	Type of credit risk				Total	CDS (bp)
	Agency	Bank	Sovereign	Supranational		
United States	0.0%	0.0%	74.4%	0.0%	74.4%	12.99
China	0.0%	1.0%	7.2%	0.0%	8.2%	40.35
United Kingdom	0.0%	0.0%	4.0%	0.0%	4.0%	10.10
South Korea	0.0%	0.0%	3.0%	0.0%	3.0%	21.18
France	0.0%	0.0%	2.9%	0.0%	2.9%	19.91
Other	0.1%	0.0%	5.8%	1.6%	7.5%	-
Total	0.1%	1.0%	97.3%	1.6%	100.0%	-

b-2. Credit risk: Local asset investments (special measures)

In the local asset portfolio, credit risk is associated with the default risk of the issuers of the bank bonds and financial institution time deposits that make up these investments.

To control the concentration of credit risk, purchases are limited to a maximum amount of 30% from a given issuer in the case of bank bonds. Additionally, the debt must have a credit rating of AAA, AA, or A. Finally, the program does not allow financial institutions to offer the Bank their own securities as collateral.

The financial conditions of these portfolios are monitored daily. At year-end 2022, only the bank bond portfolio was in effect, with a value of CLP 4,922,482.6 million.

Table 5.13 Domestic investment portfolio by credit risk, 31 December 2022.

Credit rating	Bank bonds (BB)
AAA	61.1%
AA+, AA, AA-	38.3%
A+, A	0.6%
Total	100%

Table 5.14 Domestic investment portfolio by credit risk, 31 December 2021.

Credit rating	Bank bonds (BB)
AAA	64.2%
AA+, AA, AA-	33.7%
A+, A	2.1%
Total	100%

Table 5.15 Domestic investment portfolio by issuer concentration, 31 December 2022..

Issuer	Bank bonds (BB)
Issuer 1	14.7%
Issuer 2	13.5%
Issuer 3	9.3%
Issuer 4	15.8%
Issuer 5	10.9%
Issuer 6	7.7%
Issuer 7	5.9%
Issuer 8	7.7%
Issuer 9	7.2%
Issuer 10	4.0%
Issuer 11	1.6%
Issuer 12	0.6%
Issuer 13	1.1%
Total	100%

Table 5.16 Domestic investment portfolio by issuer concentration, 31 December 2021.

Issuer	Bank bonds (BB)
Issuer 1	14.4%
Issuer 2	16.5%
Issuer 3	10.7%
Issuer 4	15.1%
Issuer 5	9.9%
Issuer 6	7.5%
Issuer 7	6.4%
Issuer 8	5.9%
Issuer 9	6.4%
Issuer 10	4.2%
Issuer 11	1.3%
Issuer 12	0.8%
Issuer 13	0.9%
Total	100%

b-3. Credit risk: Loans to banks (special measures)

This category includes the loan operations channeled through the FCIC (FCIC-1, FCIC-2, and FCIC-3) and LCL facilities.

In the case of credit granted through the LCL, the amount loaned was limited to the amount of the financial institutions' reserve requirement for demand and time deposits two months previous. This limit was updated monthly and, in the event of a reduction in the reserve requirement below the amount loaned, the bank had to prepay the CBC the difference or refinance the operation with a charge to the FCIC, posting the corresponding collateral.

In the case of the FCIC, the loans are fully backed by different types of collateral.

The negotiable financial instruments provided as collateral are subject to discounts (haircuts), and margin calls are made to replace collateral when the value drops. When the banks provide commercial loans as collateral for the FCIC, they are subject to a 10% discount on the outstanding principal balance.

Additionally, the negotiable financial instruments must meet the following criteria:

- (a) Credit securities in series issued by the Central Bank or the Chilean Treasury;
- (b) Fixed-income credit securities issued by banks, consisting in letters of credit, mortgage bonds, or other uncollateralized bonds or debentures (with the exception of subordinated bonds and perpetual bonds), and notes or certificates of deposit, all issued by a bank other than bank posting the collateral;
- (c) Debt securities that are registered in the national Securities Registry maintained by the Financial Market Commission (FMC), including bonds and commercial paper (corporate securities), and that meet the risk conditions established by the Bank;
- (d) Eligible currencies: Chilean peso and Unidad de Fomento (UF).

Commercial loans, in turn, must meet the following requirements:

- (a) They must be part of the normal individually assessed commercial loan portfolio (excluding leasing and factoring operations) of the respective bank, with a risk rating of A1, A2, A3, or A4 as defined in Chapter B-1 of the FMC Compendium of Accounting Regulations for banks. On 01 March 2021, eligibility was expanded to include loans with a rating of A5 and A6 provided they are backed by some sort of state guarantee.
- (b) They must be issued as registered securities. Loans and/or loan portfolio rights securitized in bearer form will not be accepted. Only entire issues will be accepted as collateral.
- (c) At the time the collateral is posted and throughout the collateral period, the pledged loans must be the exclusive property of the bank and must be free of liens, restrictions, encumbrances, precautionary measures, pledges, or other real rights or measures that prohibit, limit, or affect their free disposal, which must be evidenced to the satisfaction of the CBC, in accordance with the nature of the respective instrument that is given as collateral.

(d) The value of each pledged loan corresponds to the unpaid balance of the loan, as reported monthly to the Financial Market Commission (FMC) by each bank, although the CBC can require complementary information from the respective bank. The valuation of the pledged loans will not take into account any real or personal guarantees associated with the loans or any provisions or other adjustments that change the value of the unpaid balance of the loans. The CBC can establish other valuation rules in the FCIC funding conditions.

(e) Loans with a risk rating of A4 can be used as collateral for up to 50% of the total FCIC (all three phases). Pledged loans rated A5 and A6 must be backed by some sort of state guarantee (FOGAPE and/or state guarantees granted through CORFO), and the total amount of these classes cannot exceed the equivalent amount effectively disbursed by each financial institution with a charge to the FCIC-3.

(f) Each bank must comply with the following concentration rule: the total pledged loans of a given final debtor (identified by their tax identification number) cannot exceed, at any given time, 3% of the total normal individually assessed commercial loan portfolio of the respective bank.

(g) The pledged loans must have a maturity of three months or longer;

(h) Eligible currencies are the Chilean peso, Unidad de Fomento (UF), and U.S. dollar.

The loan-to-value ratio of the pledged collateral and the associated credit was monitored daily, issuing margin calls in the event that the value of the collateral fell below the financial institutions' debt (to ensure a loan-to-collateral ratio of 100% or better). The financial conditions of the pledged collateral and the associated credit were monitored daily.

At year-end 2022, the total amount of credit granted through the FCIC (FCIC1, FCIC2 y FCIC3) was CLP 28,929,133.2 million. The value of collateral on FCIC operations, considering discounts from haircuts on the interest rates and margins on the value, was CLP 29,885,109.1 million.

Table 5.17 Composition of loans to financial institutions by line or facility, 31 December 2022

Credit rating	FCIC1*	FCIC2*	FCIC3*	Total
AAA	13,617,634.3	3,377,100.0	5,146,500.0	22,141,234.3
AA+	2,773,060.0	253,000.0	1,025,000.0	4,051,060.0
AA	912,297.9	28,800.0	350,000.0	1,291,097.9
AA-	842,141.0	—	578,500.0	1,420,641.0
A+	25,100.0	—	—	25,100.0
Total	18,170,233.2	3,658,900.0	7,100,000.0	28,929,133.2

*Incluye operaciones REPO FCIC.

The amount of impairment provisions recognized at the close of the financial statements is disclosed in Note 9.

Table 5.18 Composition of loans to financial institutions by line or facility, 31 December 2021

Credit rating	LCL	FCIC1*	FCIC2*	FCIC3*	Total
AAA	3,184,236.7	10,433,397.6	3,380,000.0	5,146,500.0	22,144,134.3
AA	673,157.9	3,012,200.0	293,600.0	1,375,000.0	5,353,957.9
AA-	36,141.0	664,600.0	—	527,300.0	1,228,041.0
A+	25,933.5	140,600.0	22,200.0	51,200.0	239,933.5
Total	3,919,469.1	14,250,797.6	3,695,800.0	7,100,000.0	28,966,066.7

*Incluye operaciones REPO FCIC.

The amount of impairment provisions recognized at the close of the financial statements is disclosed in Note 9.

Table 5.19 Exposure of FCIC operations, 31 December 2022 and 2021.

	2022 MM\$	2021 MM\$
Exposición Bruta	28.929.133,2	25.046.597,6
Garantías/Colaterales*:		
Bonos Banco (BCP, BCU, PDBC)	(773.386,1)	(539.302,3)
Bonos Tesorería (BTP y BTU)	(9.315.907,3)	(6.850.814,5)
Depósitos bancarios	(2.340.674,6)	(1.512.814,6)
Bonos bancarios	(1.401.510,8)	(873.776,9)
Bonos de empresas	(159.851,3)	(185.611,1)
Letras Hipotecarias	(5.421,5)	(9.726,1)
Efectos de comercio	-	-
Bonos Securitizados	(3.705,6)	(5.676,1)
Créditos bancarios	(15.884.651,9)	(15.608.690,6)
Exposición Neta	(955.975,9)	(539.814,6)

*All collateral is at fair value (market value) except bank loans, which are valued at nominal value. The collateral valuation takes into account discounts from interest rate haircuts and value margins in the case of financial instruments traded in the secondary market and a value margin of 10% for bank loans.

Table 5.20 Exposure of FCIC operations by collateral type and risk rating, 31 December 2022 and 2021.

	2022	2021
	CLP MM	CLP MM
Gross exposure	28,929,133.2	25,046,597.6
Collateral—Securities:	(14,000,457.4)	(9,977,721.6)
Sovereign (Treasury and CBC)	(10,089,293.5)	(7,390,116.8)
AAA	(1,373,000.7)	(771,617.1)
AA+, AA, AA-	(352,807.6)	(179,661.7)
A+, A, A-	(67,269.9)	(114,522.4)
BBB+, BBB, BBB-	(15,675.2)	(26,379.7)
N-1+	(2,102,410.5)	(1,495,423.9)
Collateral—Bank loans	(15,884,651.7)	(15,608,690.6)
A1	(330,284.3)	(245,236.4)
A2	(4,438,355.6)	(4,237,367.1)
A3	(6,098,390.4)	(6,281,966.7)
A4	(4,761,745.3)	(4,553,224.3)
A5	(179,243.5)	(186,749.6)
A6	(76,632.6)	(104,146.5)
Net exposure	(955,975.9)	(539,814.6)

b-4. Credit risk: Open market operations

Credit risk associated with open market operations and liquidity facilities for the local financial system (repos; the intraday liquidity facility, FLI; and the standing liquidity facility, FPL) is mitigated by the provision of eligible collateral, defined based on credit quality, which is valued at market price at the time of reception and subject to the application of discounts or haircuts according to the specific characteristics of the instrument.

In 2022, total operations in the standing liquidity facility (FPL) were CLP 6,290,332.1 million, while repo liquidity injection in pesos was CLP 1,064,600.0 million. The average exposure in 2022 was CLP 17,233.7 million in the FPL and CLP 103,043.8 million in repos, collateralized with Central Bank securities, Treasury securities, bank bonds, and corporate bonds.

Tables 5.21 and 5.22 present the credit risk exposure of open market operations and facilities. As the tables show, this risk is mitigated by the requirement of collateral.

Table 5.21 Average exposure of the FPL in 2022 and 2021.

	2022 CLP MM	2021 CLP MM
Gross exposure	17,233.7	33,354.9
Collateral*:		
PDBC (Central Bank of Chile)	(5,993.3)	(4,444.1)
Bonds (Central Bank of Chile)	(1,191.5)	(1,572.6)
Bonds (Treasury)	(10,751.8)	(27,210.2)
Corporate bonds	(1.9)	(124.6)
Bank deposits	—	(24.4)
Net exposure	(704.8)	(21.0)

* All collateral is at fair value (market value).

Table 5.22 Average exposure of repo operations in 2022 and 2021.

	Average amount CLP MM	
	2022	2021
Gross exposure	103,043.8	22,282.5
<u>Collateral*:</u>		
PDBC (Central Bank of Chile)	(5,519.2)	—
Bonds (Central Bank of Chile)	—	—
BTP bonds (Treasury)	(107,039.3)	(1,536.2)
Bank bonds	(5,513.1)	(3,056.0)
Bank deposits	(5,250.2)	—
Corporate bonds	(26,176.3)	(18,325.2)
Securitized bonds	—	—
Mortgage bonds	—	—
Commercial paper	—	—
Net exposure	(46,454.3)	(634.9)

*Las garantías se encuentran a su valor razonable (valor de mercado).

Table 5.23 presents the credit risk exposures associated with the swap operations. As the tables show, this risk is mitigated by the requirement of collateral, resulting in a favorable net exposure for the Central Bank. No swaps were conducted in 2021.

Table 5.23 Average exposure of swap operations in 2022 and 2021.

	2022 CLP MM	2021 CLP MM
Gross exposure	18,215.0	—
<u>Collateral*:</u>		
Cash	18,134.8	—
Net exposure	(9.8)	—

* All collateral is at fair value (market value).

Additionally, in 2022 the Bank recorded forward sales of dollars from offsetting. No dollar forwards were conducted in 2021.

Table 5.24 presents the credit risk exposure from dollar forwards. Table 5.24 Average exposure of forward sales in 2022 and 2021.

	AVERAGE AMOUNT USD M	
	2022	2021
Gross exposure	—	—
Net exposure from settlement	3,972.8	—

b-5 Expected credit loss

The impairment model is applicable to financial assets measured at amortized cost or FVOCI (except for equity investments).

The expected credit loss is calculated using the following model:

$ECL = PD * LGD * EAD$, where

- ECL: Expected credit loss (CLP)
- PD: Probability of default (%)
- LGD: Loss given default (%)
- EAD: Exposure at default (CLP)

Probability of default (PD) is an estimate of the probability of default over a given time horizon, and it is estimated at a specific point in time. The calculation of the PD for a horizon of up to one year is based on the method developed by Bloomberg for corporate (DRSK) and sovereign (SRSK) entities, using financial, macroeconomic, and credit performance variables. To calculate the PD for horizons of over one year, a neutral risk model is used based on market information (bond prices and risk-free rates), where a Poisson stochastic process determines the probability of default.

Loss given default (LGD) is the estimate of the loss that would be incurred in the event of a default. It is based on the difference between the cash flows owed under the contract and the cash flows that the lender could expect to receive, taking into account cash flows from any collateral. It can be estimated using the recovery rate (RR), where $LGD = (1 - RR)$. The loss given default has generally been estimated as 60% for senior bonds (a recovery rate of 40%).

Exposure at default (EAD) is an estimate of the exposure on a future default date, taking into account the expected changes in exposure after the reporting date, including reimbursement of principal and interest and expected reductions in committed facilities (collateral).

Given the characteristics of the financial instruments in which the Bank invests, the model used is relatively simple and is deemed to be sufficient, with no need for detailed scenario simulations. This is in line with the IFRS on the use of reasonable and sustainable information that is readily available at a reasonable cost and that is relevant for the specific financial instrument being assessed.

The three steps in applying the expected loss model are as follows:

- (a) Step 1: Expected credit losses in 12 months. This step estimates the losses on a financial asset that could materialize as a result of events occurring in the next 12 months.
- (b) Step 2: Expected credit losses over the life of the asset. This step is applied when there is a significant increase in credit risk since the initial recognition.
- (c) Step 3: Credit-impaired financial assets. In this step, the loss estimate is the same as in the previous step, but it takes into account any new information that may since have become available.

The criteria for assessing a significant change in credit risk are as follows: substantial changes in the credit risk indicators (a two-notch downgrade in a single calendar year), interest rates, or financial conditions of the instruments, in market indicators such as duration, prices, bond spreads, CDS, domestic credit indicators, regulatory changes, modification of guarantees, etc.

Table 5.25 Risk ranking and description.

Ranking	Rating*	Investment grade
1	AAA to BBB-	Investment grade
2	BB to CCC	Standard monitoring

* Average rating from Standard and Poor's, Moody's, and Fitch.

Table 5.26 Credit risk and expected credit loss provision, 31 December 2022.

	Amortized cost (CLP MM)			FVOCI (CLP MM)		
	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3
(a) International reserves:						
(Investment portfolio)						
Grade 1: Investment Grade	572,075.5	—	—	28,615,872.6	—	—
Grade 2: Standard Monitoring	—	—	—	—	—	—
Gross amount	572,075.5	—	—	28,615,872.6	—	—
Loss provision*	(702.1)	—	—	(17,595.3)	—	—
Book value	571,373.4	—	—	28,615,872.6	—	—

* The loss provision for instruments classified as FVOCI is recorded directly in Other comprehensive income (OCI) (the book value of the assets is not reduced).

	Amortized cost (CLP MM)			FVOCI (CLP MM)		
	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3
(b) Domestic assets: (Domestic loans and Operations under specific legal regulations)						
Grado 1: Investment Grade	29,269,113.0	—	—	4,922,482.6	—	—
Grado 2: Standard Monitoring	—	—	—	—	—	—
Gross amount	29,269,113.0	—	—	4,922,482.6	—	—
Loss provision *	(4,570.1)	—	—	(4,397.9)	—	—
Book value	29,264,542.9	—	—	4,922,482.6	—	—

* The loss provision for instruments classified as FVOCI is recorded directly in Other comprehensive income (OCI) (the book value of the assets is not reduced).

Table 5.27 Credit risk and expected credit loss provision, 31 December 2021.

	Amortized cost (CLP MM)			FVOCI (CLP MM)		
	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3
(a) International reserves: (Investment portfolio)						
Grade 1: Investment Grade	2,971,565.8	—	—	36,286,789.7	—	—
Grade 2: Standard Monitoring	—	—	—	—	—	—
Gross amount	2,971,565.8	—	—	36,286,789.7	—	—
Loss provision*	(596.8)	—	—	(15,660.3)	—	—
Book value	2,971,565.8	—	—	36,286,789.7	—	—

* The loss provision for instruments classified as FVOCI is recorded directly in Other comprehensive income (OCI) (the book value of the assets is not reduced).

	Amortized cost (CLP MM)			FVOCI (CLP MM)		
	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3
(b) Domestic assets: (Domestic loans and Operations under specific legal regulations)						
Grado 1: Investment Grade	29,319,680.7	—	—	5,590,565.4	—	—
Grado 2: Standard Monitoring	—	—	—	—	—	—
Gross amount	29,319,680.7	—	—	5,590,565.4	—	—
Loss provision *	(5,723.0)	—	—	(6,090.4)	—	—
Book value	29,313,957.7	—	—	5,590,565.4	—	—

* La provisión por pérdida para los instrumentos clasificados como VRCORI se imputa directamente en "Otro Resultado Integral"- ORI (no rebaja el valor libro de los activos).

(c) Liquidity risk

Liquidity risk is the risk of not being able to sell an instrument when desired or of incurring a loss on the sale due to a lack of market depth; as well as the risk that an entity will have difficulty fulfilling its obligations on financial liabilities that are settled through the delivery of cash or another financial asset.

c-1. Liquidity risk: International reserves

To reduce the liquidity risk of the international reserves, the portfolio is composed primarily of fixed-income securities traded in deep, highly liquid secondary markets and, to a lesser extent, short-term deposits in international commercial banks, which are diversified by maturity. The most liquid tranche includes instruments from the United States, as well as overnight and weekend transactions, representing 72.1% of the internally managed investment portfolio at year-end 2022 (74.9% at year-end 2021).

Tabla 5.28 Spread bid-ask de las reservas internacionales al 31 de diciembre del 2022 y 2021.

Closing amounts	2022 bp	2021 bp
By currency:		
USD	10.8	9.0
CNY	37.6	16.3
EUR	9.3	9.3
GBP	46.8	25.1
AUD	8.4	12.4
KRW*	15.9	14.5
By term:		
Less than 1 year	16.3	5.5
1–5 years	14.2	10.8
Over 5 years	38.2	10.9

* Las cifras para KRW consideran solo datos donde el spread es distinto de cero.

c-2. Liquidity risk: Investment in local assets (special measures)

Investment is not the primary objective of the local assets portfolio, which was established as a result of the implementation of the special measures in 2020 aimed at ensuring financial stability and the correct transmission of monetary policy. In that context, the Bank bought liquid assets traded in the secondary market, which could potentially be settled, although the Bank is not the asset manager for this type of instrument. The Bank's control metrics for this portfolio include rotation, defined as the amount traded monthly for each instrument relative to the amount outstanding. In 2022, this ratio was 12.8%; at year-end 2021, 7.2%.

c-3. Liquidity risk: Loans to banks (special measures)

The objective of the FCIC and LCL is to inject liquidity into the financial system, and the Bank does not intend to settle the operations in either facility before they come to maturity.

c-4. Liquidity risk: Open market operations

In the case of open-market operations, liquidity risk relates to the possibility of issuing bonds and notes or rolling them over in the primary market at market prices. This type of risk is mitigated by the current regulatory provisions, contained in the Compendium of Monetary and Financial Regulations, on the placement and auction of debt securities, and by monitoring both secondary and primary markets and their institutions. In the event of a decrease in demand for its securities, the Bank could pay its maturities by issuing cash.

Table 5.29 Debt security auctions by the Central Bank of Chile as of 31 December 2022.

Instrument	Scheduled amount (CLP MM)	Demand	Awards	Auction rate	Market rate	Spread (bp)
PDBC	708,400,000.00	131.4%	92.0%	8.51%	8.63%	(12.2)

Table 5.30 Debt security auctions by the Central Bank of Chile as of 31 December 2021.

Instrument	Scheduled amount (CLP MM)	Demand	Awards	Auction rate	Market rate	Spread (bp)
PDBC	694,600,000.00	155.6%	100.3%	1.24%	1.31%	(7.0)

c-5. Exposure to liquidity risk by contract maturity date

Given the Bank's balance sheet structure, all the Bank's foreign currency liabilities are covered, that is, the Bank has sufficient liquid financial assets to meet the cash outflows of its financial liabilities in foreign currency (see Table 5.2: Currency risk).

In national currency, the Bank is a monopolist in the supply of the monetary base and thus does not have liquidity risk in terms of paying its obligations, since it has the power and operating capacity to create money in national currency at its discretion at any given time.

(d) Operational risk associated with managing financial instruments

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and information systems or from unforeseen external events that prevent the normal performance of processes related to financial instrument management. This definition includes the legal risks associated with noncompliance with laws, regulations, agreements, or contracts as a result of such failures.

The Central Bank has a governance structure for managing operational and other risks, based on the three lines of defense, which supports the adequate fulfillment of the functions, roles, and responsibilities of each line, contributing to internal control.

The Financial Markets Division Management, as part of the first line, defines the strategy, manages the investments, monitors the results of the operations, and functionally manages the transactional systems in which they are carried out. Their responsibilities include managing the risks inherent in these processes.

The Corporate Risk Division, as the second line, verifies compliance with the limits established under the financial risk management framework; ensures operational risk management in the established process, through the identification, analysis, evaluation, and mitigation of these risks based on international best practices; and verifies the application of the risk vision established by the Bank.

Within operational risk management, the risk of an interruption and/or disruption of processes and systems could generate a serious negative impact on the Bank's performance of its mandate and objectives. Therefore, the Bank is certified in the business continuity management model (ISO 22301), so as to have mechanisms for identification, assessment, protection, mitigation, and recovery in the event of significant events that affect critical processes. Additionally, the Bank is certified in the information security model (ISO 27001), so as to ensure best practices in the protection, confidentiality, integrity, and availability of information assets and the resources that support the organization's information life cycle.

The Office of the General Auditor, which reports directly to the Board, as the third line of defense, examines regulatory compliance, the existence of an adequate internal control environment, the security of information technology applications and infrastructure, and various aspects of governance, risk management, information, and communication, as well as auditing the performance of the first and second lines.

NOTE 6: CASH AND CASH EQUIVALENTS

The breakdown of balances under cash and cash equivalents and their reconciliation to the statement of cash flows at each year-end are as follows:

	2022 CLP MM	2021 CLP MM
Foreign correspondent banks (*)	1,057,982.1	787,148.3
Current accounts of external portfolio managers (*)	1,367.6	26,046.3
Foreign currency deposits (*)	1,043.8	1,137.5
Total cash in reserve assets	1,060,393.5	814,332.1
Domestic correspondent banks (**)	116.5	115.3
Total cash and cash equivalents (***)	1,060,510.0	814,447.4

(*) Included in Foreign assets, under the heading Cash.

(**) Included in Domestic assets, under the heading Other assets.

(***) There are no restrictions on the use of the headings included under cash and cash equivalents.

The distribution of cash and cash equivalents by currency at each year-end was as follows:

	2022 CLP MM	2021 CLP MM
U.S dollar	1,057,165.0	786,665.7
Yuan	902.7	22,295.6
Euro	347.5	328.0
Pound sterling	172.6	214.7
Australian dollar	135.2	70.4
South Korean won	1,395.8	3,271.0
Other foreign currency	274.7	1,486.7
Total cash in reserve assets	1,060,393.5	814,332.1
U.S dollar	2.5	—
Chilean peso	114.0	115.3
Total domestic correspondent banks	116.5	115.3
Total cash and cash equivalents	1,060,510.0	814,447.4

NOTE 7 RESERVE ASSETS

(a) Reserve assets

International reserves are liquid foreign currency assets held by the Central Bank of Chile to support its monetary and foreign exchange policies. They are one of the instruments available to the Bank to meet its permanent objective of safeguarding the stability of the currency and the normal functioning of internal and external payments. Reserve assets are composed of foreign assets that are readily available and under the control of the monetary authority, for directly financing balance-of-payments imbalances and indirectly regulating the magnitude of those imbalances.

Reserve assets

- **Cash:** This item, defined as cash that is immediately available with no restrictions, includes balances held in current accounts with foreign banks and the balance in the foreign currency cash account. It is classified and measured at amortized cost.
- **Investment portfolio** This item is made up of instruments that are eligible for reserve investment, of which a share is directly managed by the Bank (the internally managed investment portfolio) and a share is managed by external portfolio managers (the externally managed investment portfolio) under mandates approved by the Board. The investments in this item represent the Bank's primary reserve asset, and they are classified and measured at fair value.
- **Monetary gold:** Gold held as international reserves, expressed in Chilean gold peso coins, is valued at the London Gold Fixing price (dollars per fine troy ounces). Differences deriving from updating the gold position are recorded in profit and loss for the year.
- **Special drawing rights (SDR):** SDRs are a reserve asset equivalent to foreign currency, allocated by the International Monetary Fund (IMF) to member countries in proportion to the quota subscription paid and valued in pesos at the current exchange rate reported by the IMF.

- **International Monetary Fund (FMI) reserve position:** This item corresponds to the net difference between assets (IMF quota subscriptions plus loans granted by the Central Bank of Chile to the IMF through the New Arrangements to Borrow, NAB, program) and liabilities (deposits held by the IMF in local currency). It is classified as an investment at amortized cost and measured in SDR units (the IMF's unit of account).

This heading, Reserve assets, includes the international reserves held by the Bank at each year-end, as follows:

	2022 CLP MM	2021 CLP MM
Cash	1,060,393.5	814,332.1
Investment portfolio:		
Fair value through other comprehensive income	28,615,872.6	36,286,789.7
Amortized cost	571,373.4	2,970,969.0
Fair value through profit or loss	4,315.9	(1,337.1)
Monetary gold	12,405.2	12,181.7
Special drawing rights (SDR)	2,806,577.0	2,977,925.0
IMF reserve position	582,401.4	582,304.5
Other assets	20.9	22.5
Total	33,653,359.9	43,643,187.4

The distribution of foreign exchange reserve assets by investment currency at each year-end was as follows:

	2022 CLP MM	2021 CLP MM
United States dollar	23,557,347.2	31,662,737.8
Chinese yuan	2,336,927.7	2,945,344.0
Euro	1,443,438.6	1,826,490.9
Pound sterling	1,145,015.6	1,453,329.2
Australian dollar	874,353.9	1,103,321.8
South Korean won	894,597.6	1,078,043.4
Other currencies	3,401,679.3	3,573,920.3
Total	33,653,359.9	43,643,187.4

	2022 CLP MM	2021 CLP MM
Cash	1,233.7	957.8
Investment portfolio:		
Fair value through other comprehensive income	33,293.2	42,677.8
Amortized cost	664.8	3,494.2
Fair value through profit or loss	5.1	(1.6)
Monetary gold	14.4	14.3
Special drawing rights (SDR)	3,265.3	3,502.4
IMF reserve position	677.6	684.9
Other assets	—	—
Total	39,154.1	51,329.8

The distribution of foreign exchange reserve assets by investment currency at each year-end was as follows:

	2022 CLP MM	2021 CLP MM
United States dollar	27,407.9	37,239.3
Chinese yuan	2,718.9	3,464.1
Euro	1,679.4	2,148.2
Pound sterling	1,332.2	1,709.3
Australian dollar	1,017.3	1,297.6
South Korean won	1,040.8	1,267.9
Other currencies	3,957.6	4,203.4
Total	<u>39,154.1</u>	<u>51,329.8</u>

(c) Investment portfolio by asset class

	Fair value hierarchy	2022 CLP MM	2021 CLP MM
Fair value through OCI:			
Internally managed portfolio:			
Nominal notes and bonds	Level 1	22,190,291.5	28,190,019.6
Inflation-linked bonds	Level 1	5,470,397.4	7,099,572.9
Floating rate notes	Level 1	4,249.2	4,252.0
Externally managed portfolio:			
Nominal notes and bonds	Level 1	757,425.9	781,161.2
Inflation-linked bonds	Level 1	188,304.8	206,671.6
Floating rate notes	Level 1	5,203.8	5,112.4
Subtotal		28,615,872.6	36,286,789.7
Amortized cost:			
Internally managed portfolio:			
Time deposits *		343,926.3	764,127.2
Overnight deposits *		213,595.9	2,121,975.7
Commercial paper *		—	84,902.5
Accounts receivable (payable) trade date (net)		—	(1,294.9)
Securities lending fees		422.4	357.0
Externally managed portfolio:			
Accounts receivable (payable) trade date (net)		(1,171.5)	825.0
Collateral, net position		(189.1)	76.5
Certificates of deposit *		14,789.4	—
Subtotal		571,373.4	2,970,969.0
Fair value through profit or loss:			
Internally managed portfolio:			
Derivates, net position	Level 2	(96.4)	(1,218.1)
Externally managed portfolio:			
Derivates, net position	Level 2	217.1	(119.0)
Mortgage-backed securities (MBS)	Level 1	4,195.2	—
Subtotal		4,315.9	(1,337.1)
Total		29,191,561.9	39,256,421.6

* The amount of impairment provisions recognized at the close of the financial statements is disclosed in Note 5 (b-5).

(d) Monetary gold

At year-end 2022, monetary gold amounted to USD 14.4 million (USD 14.3 million in 2021) equivalent to 7,940 fine troy ounces valued at USD 1,817.89 per ounce (USD 1,804.5 in 2021). There was no change in the quantity of troy ounces relative to 2021.

	2022 CLP	2021 CLP
Monetary gold	12,405.2	12,181.7
Total	12,405.2	12,181.7

(e) Special drawing rights (SDR)

At year-end 2022, the balance in the special drawing rights account was SDR 2,432,358,662, of which SDR 11,114,968, equivalent to CLP 12,825.0 million, was from interest.

	2022 CLP MM	2021 CLP MM
IMF SDRs	2,806,577.0	2,977,925.0
Total	2,806,577.0	2,977,925.0

(e) International Monetary Fund (IMF) reserve position

At each year-end, the IMF reserve position was as follows:

	2022 CLP	2021 CLP
IMF quota subscription	2,015,046.0	2,114,833.2
New Arrangements to Borrow (NAB)	7,691.0	19,685.1
Deposits (Accounts N° 1 and 2)	(1,440,335.6)	(1,552,213.8)
Total	582,401.4	582,304.5

NOTE 8: OTHER FOREIGN ASSETS

(a) Inter-American Development Bank (IDB) shares and contributions

The accounting treatment of shares and contributions is subject to the provisions of Article 3 of Decree Law N°2,943, of 1979, according to which shares and contributions, and the corresponding certificates, must be recorded by the Bank, for accounting purposes, as investments using own resources.

Ordinary Capital shares of the Inter-American Development Bank (IDB) are measured at fair value, which in this case is the purchase cost or contribution plus the adjustments reported by the IDB, if any. For this type of investment, the best fair value reference is the purchase cost, since they are not held for trade and do not have an active market, and there are no similar instruments for comparison. In 2022, there were no new share subscriptions or contributions to the IDB.

At each year-end, the balance of IDB shares and contributions was as follows:

	2022 CLP	2021 CLP
IDB shares and contributions	113,094.0	111,875.6
Total	113,094.0	111,875.6

(b) Bank for International Settlements (BIS) shares

In 2003, the incorporation of the Central Bank of Chile as a member of the Bank for International Settlements (BIS) was authorized through Board Resolutions N°1073-04 of 10 July 2003 and N°1084-02 of 16 September 2003. On 26 September 2003, in accordance with these resolutions, the Central Bank of Chile acquired 3,000 BIS shares, for a value of SDR 42,054,000.

	2022 CLP MM	2021 CLP MM
Opening balance	103,504.5	88,942.2
Fair value adjustment	(772.2)	7,728.5
SDR valuation increase (decrease)	(4,998.5)	6,833.8
Closing balance	97,733.8	103,504.5

In 2022, dividends of USD 1.1 million were received (USD 2.2 million in 2021), which were recognized directly through profit.

The Bank calculates the fair value (level 3) based on its percentage ownership of BIS equity, using the discounted net asset value method, which discounts the shares' net asset value by 30%. This follows the methodology applied by the BIS for the last repurchase of shares issued in 1970.

(c) Latin American Reserve Fund (FLAR)

Board Agreement N° 2451-06, of 27 January 2022, approved the Bank's association as a central bank with the Latin American Reserve Fund (FLAR). The Bank's initial contribution to this fund was USD 500.0 million, which was paid in an equivalent amount of SDRs in March 2022.

The FLAR contributions are measured at fair value, which in this case equals the purchase price.

	2022 CLP MM	2021 CLP MM
FLAR contributions	429,755.0	—
Total	429,755.0	—

(d) Other foreign assets

IMF Flexible Credit Line commission

In 2020, the Board of the Central Bank of Chile considered it necessary to strengthen the Bank's international liquidity position, so as to be able to mitigate the potential materialization of financial risks in the country. On 29 May 2020, the International Monetary Fund (IMF) announced that the IMF Executive Board had approved the Bank's application for a two-year Flexible Credit Line (FCL), in the amount of SDR 17.443 billion (USD 23.930 billion at that time). This line ended in May 2022.

In August 2022, the Bank opened another FCL with the IMF for SDR 13,954.0 million (USD 18,500.0 million at that time) for two years.

The opening of this credit line, which guarantees the availability of funds but does not create a financial asset or liability until it is used, has an associated commission fee that is paid in advance in the same currency. The book entry of the credit line is made in off-balance accounts, while the commission paid is recorded as an amortizable asset.

To date, the Bank has not used the resources available through this line. The balance recorded for this item corresponds to the unamortized amount of the annual commission that the Bank paid to the IMF when the FCL was established, while the amortized portion of the commission is recognized using straight-line amortization.

The commission is refundable based on the percentage and timing of the use of the credit line. If the full amount is used in the first 365 days, the entire commission fee is refunded at the end of the period.

2020 FCL commission (Two-year duration)	2022 CLP MM	2021 CLP MM
Opening balance	36,149.7	31,304.5
Second commission payment	—	86,759.2
Amortization in the period	(36,149.7)	(86,759.2)
SDR valuation increase (decrease)	—	4,845.2
Closing balance	—	36,149.7

2022 FCL commission (Two-year duration)	2022 CLP MM	2021 CLP MM
Opening balance	—	—
First commission payment	58,246.7	—
Amortization in the period	(19,415.6)	—
SDR valuation increase (decrease)	112.0	—
Closing balance	38,943.1	—

NOTE 9: DOMESTIC LOANS AND INVESTMENTS**(a) Loans to banks and financial institutions**

This item records loan operations classified as non-derivative financial assets, valued at amortized cost using the effective interest rate method:

	2022			
	Capital	Interest	Impairment provision	Total
Repurchase agreements (FCIC repos)	13,471,885.2	561.2	—	13,472,446.4
Conditional Financing Facility for Increased Loans (FCIC)	15,457,248.0	644.1	—	15,457,892.1
Liquidity Credit Line (LCL)	19,000.0	12.2	—	19,012.2
Total	28,948,133.2	1,217.5	—	28,949,350.7

	2021			
	Capital	Interest	Impairment provision	Total
Repurchase agreements (FCIC repos)	9,906,337.6	275.2	—	9,906,612.8
Conditional Financing Facility for Increased Loans (FCIC)	15,140,260.0	420.5	—	15,140,680.5
Liquidity Credit Line (LCL)	3,919,469.1	108.9	(3,716.3)	3,915,861.7
Total	28,966,066.7	804.6	(3,716.3)	28,963,155.0

Repo operations provide liquidity to the national financial system. The balance of these operations includes operations with a maturity of one day (overnight repos in the standing liquidity facility, FPL) and operations with a maturity of more than one day (repo), in which the counterparties are domestic financial institutions. The FCIC and LCL operations were initiated in 2020 as part of the special measures to address the impact of internal shocks deriving from the pandemic. They are open credit lines for banks, designed to promote the continued financing and refinancing of bank loans to households and firms, especially those that do not have access to the capital market.

The collateral associated with the aforementioned operations are discussed in Note 5b-3.

(b) Domestic investment portfolio

Fair value through OCI	Fair value hierarchy	2022 CLP MM	2021 CLP MM
Bank bonds	Level 1	4,922,482.6	5,590,565.4
Subtotal		4,922,482.6	5,590,565.4

Fair value through profit or loss:	Fair value hierarchy	2022 CLP MM	2021 CLP MM
Derivatives (intervention program)	Level 2	147,125.1	—
Subtotal		147,125.1	—

Total		5,069,607.7	5,590,565.4
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The bank bonds correspond to the special asset purchase program for all participants of the Open Market Operations System (SOMA), which aims to contain the effects of high volatility events on the fixed-income market and avoid episodes of money market volatility.

NOTE 10: OPERATIONS UNDER SPECIFIC LEGAL REGULATIONS

This item mainly includes operations deriving from specific laws, which are defined as non-derivative financial instruments, measured at amortized cost using the effective interest rate method, with recognition through profit or loss.

(a) Treasury transfers

Under the heading Operations under specific legal regulations, the item Treasury transfers includes the following amounts:

	2022	2021
	CLP MM	CLP MM
Treasury transfers Law N°18,401	319,762.3	352,809.5
Impairment provision	(4,570.1)	(2,006.8)
Total	315,192.2	350,802.7

According to the provisions of Article 1 of Law N°18,401, which establishes the regulatory guidelines for the normalization of intervened banks, the Production Development Corporation (CORFO) would purchase from the Central Bank, subject to the periods and terms stipulated in the law, the loan contracts held by the Central Bank against banks and financial corporations that were, on the date of publication of the law, subject to provisional administration under the terms of Article 23 of Decree Law N°1,097, of 1975.

The requirement that CORFO purchase the aforementioned loan contracts was subject to the Bank's acceptance of the sale.

Through Resolution N° 1643-15 of 17 April 1985, issued by the former Executive Committee of the Central Bank of Chile, authorization was granted for the sale to CORFO of the emergency loans and similar credit facilities that the Central Bank had granted to the Banco de Chile, Banco de Santiago, Banco Concepción, Banco Internacional, and Banco Colocadora Nacional de Valores, for up to the amounts indicated in the agreement.

According to Article 13 of Law N°18,401, differences produced in the recovery, due to shareholder discounts, of up to UF 15.0 million, would be covered by the Treasury through future transfers to the Bank, which on 31 December 2022 amounted to CLP 319,762.3 million (excluding the impairment provision), equivalent to UF9.1 million (CLP 352,809.5 million in 2021, equivalent to UF11.4 million).

The law further indicated that the Ministry of Finance would issue an executive decree establishing when and how the total amount of the aforementioned transfer would be announced, which must be executed in a period not to exceed 30 years, including a ten-year grace period.

In 2010, the Ministry of Finance issued Executive Decree N°1,526, which specifies that the total amount of the transfer to be made by the Treasury of Chile to the Central Bank of Chile as a result of the application of the legal framework cited above was set at UF 11,383,983.4695. This fiscal transfer is to be paid through annual installments, equal to at least one twentieth of the aforementioned total, starting in the eleventh year after the Executive Decree was passed on 25 January 2011. The Decree expressly authorizes the Treasury to make advance payments. Furthermore, the decree gives the Treasury the flexibility to make the payment at any time in a given year, without establishing a specific date. Thus, the first payment under the item Treasury transfers was received on 21 October 2022, for an amount of CLP 78,550.6 million (equivalent to UF2.3 million, or one-fifth of the total debt).

	2022	2021
	CLP MM	CLP MM
Opening balance	350,820.7	321,988.1
Indexation adjustment in the period	45,503.4	21,873.3
Payment	(78,550.6)	6,941.3
Reduction/(increase) in impairment in the period	(2,563.3)	—
Closing balance	315,192.2	350,802.7

(b) Central Savings and Loan Fund and the National Savings and Loan Association

Decree Laws 1,381 of 23 March 1976 and 2,824 of 6 August 1979 regulate the Central Bank of Chile’s assigned obligation to grant loans to organizations that were part of the former National Savings and Loan System (Sistema Nacional de Ahorro y Préstamo, SINAP), in response to the financial situation affecting the system at that time.

The Bank granted the aforementioned loans using its own resources through refinancing credit facilities to the organizations that were part of the SINAP. In addition, the former National Savings and Loan Fund (Caja Nacional de Ahorros y Préstamos), part of SINAP, was also granted loans by the Chilean government, with a charge to external resources from the Credit Program Agreement AID 513–HG–006 entered into by the Republic of Chile, and applied through the Central Bank, as fiscal and financial agent, in accordance with Executive Decree N°20, issued by the Finance Ministry in 1976.

Subsequently, Law N°18,900 shut down the Central Savings and Loan Fund (Caja Central de Ahorros y Préstamos) and the National Savings and Loan Association (Asociación Nacional de Ahorro y Préstamo) and specified the procedures for liquidating their respective equity and paying outstanding liabilities.

Article 3 of the law stipulates that the Central Savings and Loan Fund shall cease its operations, providing an account of its existing commitments, whether or not it has settled the liquidation required by law, including an inventory of all the rights, obligations, and equity pertaining to the Fund and to the National Savings and Loan Association. This account will be submitted for review to the President of the Republic through the Ministry of Finance. This article further stipulates that the President of the Republic will approve the account through executive decree issued by the Ministry of Finance and published in the Official Gazette.

Article 5 of the aforementioned law establishes that for all legal purposes, as of the date of publication of the executive decree approving the account, the Treasury shall take on any outstanding obligations from the SINAP system that are not covered by the proceeds of the liquidation of equity, with the funds being requested from the national budget, in accordance with the provisions of Article 21 of Decree Law N°1,263 of 1975.

The recovery of these amounts depends on the determination of a specific date for the payment of the SINAP loans, via a transfer from the Treasury to the Central Bank. However, the date has not been specified, because the Ministry of Finance has not issued the executive decree approving the account for the Central Savings and Loan Fund and the National Savings and Loan Association.

Therefore, based on considerations solely for accounting and financial reporting purposes, as provided in Articles 18, 9, and 75 et seq. of the Basic Constitutional Act regulating the Central Bank of Chile and in accordance with IFRS criteria and standards, the Bank has determined that starting from year-end 2014, its financial statements will recognize an impairment provision in the Bank's equity for the total amount of debt owed to the Bank by the former SINAP entities, which are indefinitely in the process of liquidation.

The obligation of the Chilean Treasury—established in Law N°18,900, which guarantees the share of the debt of the abovementioned entities that was not covered by their liquidation, and which has been corroborated by the Ministry of Finance on several opportunities—is subject to the legal budget and the publication in the Official Gazette of the executive decree approving the liquidation account for these entities. Because this has not yet occurred or been scheduled for a future date, the Central Bank has opted to report this situation in the notes to the financial statements to comply with the requirement of substantiating the rationale behind these decisions. However, it is hereby expressly stated that the information contained in the preceding paragraph will only affect the accounting treatment for recognizing the SINAP liquidation loan (Law N°18,900) for reporting purposes, in accordance with IFRS standards. Accordingly, this should not and cannot be deemed, in any sense, as a waiver by Central Bank of Chile of its right to continue to require the full and total payment of this debt.

Prior to making this decision, the Bank informed the Minister of Finance of its intention. In response, the Minister communicated to the Bank that although the President of Chile will approve the account through an executive decree issued by the Ministry of Finance, this approval has not been formalized. The Minister further indicated that because of this situation, the Ministry of Finance was unable to express an opinion with respect to the balances in the account, but acknowledged the information provided by the Bank.

Additionally, in relation to the part of the debt assumed by the former National Savings and Loan Fund in accordance with Ministry of Finance Executive Decree N°20 of 1976, (i) the Central Bank acted as the fiscal and financial agent of the Treasury in this debt transaction; and (ii) once the conditions of Article 5 of Law N°18,900 have been met, the Treasury will have the double status of creditor and debtor of the obligation. Consequently, the Central Bank has determined that it is not applicable to recognize this share of the debt of the former National Savings and Loan Fund in its financial statements, so the item was derecognized from the Bank's asset and liability accounts at year-end 2014. However, as long as the aforementioned conditions are not fulfilled, the debt will be recorded at its adjusted value in off-balance-sheet accounts, in the name and on behalf of the Treasury, for identification purposes, in order to distinguish it clearly from the larger share of the debt of the former SINAP system that was financed directly by the Bank using its own resources. The impairment provision recognized as of 31 December 2014 was also adjusted.

As of 31 December 2022, the amount owed to the Central Bank of Chile for the liquidation of the SINAP institutions, deriving from the refinancing credit facilities granted directly to these institutions using the Bank's own resources, was CLP 2,027,974.4 million (CLP 1,704,869.4 million in 2021), including the total impairment described above. The updated value of the debt of the former National Savings and Loan Fund, a former member of the SINAP system, corresponding to subsidiary loans financed by the Chilean government acting through the Bank, in accordance with Executive Decree N° 20 cited above, was CLP 103,772.8 million (CLP 96,972.4 million in 2021), which has been recorded in memorandum accounts kept by the Central Bank as fiscal agent of the Republic of Chile.

NOTE 11: PROPERTY, PLANT, AND EQUIPMENT

	2022 CLP	2021 CLP
Property, plant, and equipment (gross)	65,320.4	76,131.5
Accumulated depreciation	(25,790.8)	(25,339.7)
Property, plant, and equipment (net)	39,529.6	50,791.8

Reconciliation of the carrying amount of property, plant, and equipment

	Balance on 31.Dec.21	Additions	CLP MM		Transfers	Balance on 31.Dec.22
			Disposals	Depreciation		
Real estate and installations	27,092.9	847.8	—	(117.2)	—	27,823.5
Furniture and equipment	9,498.2	775.0	(101.5)	(2,701.8)	1,940.2	9,410.1
Transport material	91.3	21.6	—	(10.9)	—	102.0
Works in progress	14,109.4	4,189.3	(14,202.6)	—	(1,902.1)	2,194.0
Total	50,791.8	5,833.7	(14,304.1)	(2,829.9)	38.1	39,529.6

On 31 December 2022 and 2021, the item Depreciation and amortization on the statement of comprehensive income included CLP 2,829.9 million and CLP 2,804.5 million, respectively. In 2022 and 2021, there were no recognized losses due to impairment.

The reduction of CLP MM 14,202.6 in Works in progress in 2022 is mainly due to the suspension and/or termination of infrastructure projects, given the change in installation assumptions.

Operating leases

On 31 December 2022 and 2021, there were no non-cancellable operating leases, and all leased assets were of low value relative to the Bank's asset and liability levels. Therefore, the Bank recognizes lease payments as an expense over the life of the contract.

NOTE 12: INTANGIBLES

	CLP MM					
	Balance on 31.Dec.21	Additions	Disposals	Amortization	Transfers	Balance on 31.Dec.22
Computer programs	1,587.4	—	—	(848.9)	—	738.5
Computer programs in development	45.4	45.8	—	—	(38.1)	53.1
Total	1,632.8	45.8	—	(848.9)	(38.1)	791.6

	CLP MM					
	Balance on 31.Dec.21	Additions	Disposals	Amortization	Transfers	Balance on 31.Dec.22
Computer programs	1,587.4	—	—	(848.9)	—	738.5
Computer programs in development	45.4	45.8	—	—	(38.1)	53.1
Total	1,632.8	45.8	—	(848.9)	(38.1)	791.6

Reconciliation of the carrying amount of intangible assets

On 31 December 2022 and 2021, the item Depreciation and amortization on the statement of comprehensive income included CLP 848.9 million and CLP 868.5 million, respectively, for straight-line amortization. In 2022 and 2021, there were no recognized losses due to impairment.

NOTE 13: OTHER ASSETS

This item is made up of the following assets:

	2022 CLP MM	2021 CLP MM
Artistic and/or cultural heritage assets	5,283.2	5,283.0
Advance on contracts	222.9	6,263.5
Prepayment of expenses	384.4	234.7
Cash	116.5	115.3
Tax recoverable	6,883.0	5,978.5
Other domestic assets	851.3	804.9
Total	13,741.3	18,679.9

(a) Reconciliation of the carrying amount of artistic and/or cultural heritage assets

	2022 CLP MM	2021 CLP MM
Banknote and coin collection	3,637.0	3,636.8
Works of art	1,646.2	1,646.2
Total	5,283.2	5,283.0

NOTE 14: FOREIGN LIABILITIES

This heading includes the following items:

	2022	2021
	CLP MM	CLP MM
Accounts with international organizations	73,757.1	72,417.0
SDR allocations	2,884,797.4	3,017,605.8
Reciprocal credit agreements	4.1	4.0
Deposits from central banks	1,098.9	152.7
Total	2,959,657.5	3,090,179.5

(a) Accounts with international organizations correspond to demand accounts in national currency held by such organizations and to obligations of the Central Bank, as fiscal agent, with the IDB, for promissory notes subscribed in foreign currency in payment of the subscription of shares and capital increases. They do not bear interest, but in some cases the value is adjusted for fluctuations in the U.S. dollar. They are classified and subsequently measured at amortized cost.

This item is composed as follows:

	2022 CLP MM	2021 CLP MM
IDB promissory note debt	68,624.2	67,884.8
Inter-American Development Bank (IDB)	4,167.6	3,483.6
International Development Association (IDA)	901.1	901.1
Multilateral Investment Guarantee Agency (MIGA)	32.9	32.9
International Bank for Reconstruction and Development (IBRD)	31.3	114.6
Total	73,757.1	72,417.0

(b) Special drawing rights (SDR) are recorded as a liability by IMF member countries, as there is an associated repayment obligation under certain circumstances and they accrue interest for the IMF, based on a weekly rate calculated by the IMF. They are classified and subsequently measured at amortized cost. At year-end, the balance of this account was SDR 2,500,149,427 (equivalent to CLP 2,884,797.4 million) allocated to Chile, of which SDR 11,424,747 (equivalent to CLP 13,182.4 million) corresponded to interest..

(c) Reciprocal credit agreements (loans) represent the amount owed by the Central Bank of Chile to the central bank members of the ALADI Reciprocal Payment and Credit Agreement for imports conducted by Chilean entities through this mechanism. They are classified and subsequently measured at amortized cost.

(d) Deposits from central banks are financial liabilities for deposits received and other operations carried out with other central banks. They are classified and subsequently measured at amortized cost.

This item is composed of the following:

	2022 CLP MM	2021 CLP MM
Current accounts in national currency	1,098.9	152.7

NOTE 15: MONETARY BASE

The monetary base is a Central Bank liability composed of banknotes and coins in circulation, plus financial system deposits held at the Bank.

The monetary base breaks down as follows:

	2022 CLP MM	2021 CLP MM
Banknotes and coins in circulation	15,059,016.3	18,666,832.0
Deposits from financial institutions	2,582,213.6	1,969,303.2
Additional reserve deposits (<i>reserva técnica</i>)	—	820,170.8
Total	17,641,229.9	21,456,306.0

(a) Banknotes and coins in circulation

This item comprises the amount of banknotes and coins of legal tender issued by the Central Bank of Chile that are held by third parties, calculated as the total banknotes and coins received from suppliers and recorded as a liability at face value, less the banknotes and coins that are in the Bank's cash account and in its vaults.

The change in this item, which represents the Bank's funding source on the statement of cash flows, was as follows:

	2022 CLP MM	2021 CLP MM
Opening balance	18,666,832.0	14,804,078.7
Net issue	(3,607,815.7)	3,862,753.3
Closing balance	15,059,016.3	18,666,832.0

Banknotes and coins in circulation are recorded at face value. Printing and minting costs are recorded as an expense under the heading Currency issuance, distribution, and processing costs.

The composition of banknotes and coins in circulation on 31 December of each year was as follows:

Banknote denomination	2022 CLP MM	2021 CLP MM	Coin denomination	2022 CLP MM	2021 CLP MM
\$ 20,000	8,019,683.7	9,668,097.4	\$ 10,000	348.6	348.5
\$ 10,000	5,333,249.6	7,084,483.5	\$ 2,000	99.2	99.2
\$ 5,000	645,886.4	786,355.4	\$ 500	272,151.1	258,853.5
\$ 2,000	187,565.0	237,323.9	\$ 100	179,961.7	170,179.1
\$ 1,000	299,345.5	343,914.2	\$ 50	35,127.2	33,181.0
\$ 500	4,704.1	4,704.7	\$ 10	65,171.0	63,565.8
Various	251.3	251.3	\$ 5	10,708.9	10,711.1
			\$ 1	4,690.6	4,690.9
			Other	72.4	72.4
Total	14,490,685,6	18,125,130,4	Total	568,330.7	541,701.6

(b) Deposits from financial institutions

Financial system deposits reflect local currency deposits and withdrawals made by financial institutions in operations performed with the Central Bank. The balance represents the funds or reserves held by financial institutions at the Bank and is used for the constitution of deposit reserves.

(c) Additional reserve deposits

Article 65 of the General Banking Law establishes that banks are required to maintain an additional required reserve (reserve técnica), which can be held in deposits with the Central Bank. Specifically, the law stipulates that current account and other demand deposits received by a bank, as well as amounts allocated to pay on-demand liabilities assumed in its financial line of business, that are in excess of two and a half times the bank's regulatory capital, must be held in cash accounts or as additional required reserves (reserva técnica) consisting of Central Bank deposits or Treasury or Central Bank notes of any maturity valued at market price. At year-end 2022, there were no deposits in the additional reserve account; in 2021, the amount was CLP 820,170.8 million.

NOTE 16 DEPOSITS AND OBLIGATIONS

These financial liabilities, deriving from deposits received from the Treasury and financial institutions and other transactions with these entities, are not affected by transactional costs. Subsequently, they are measured at amortized cost using the effective interest rate method. The unadjusted balances are presented at face value. UF and foreign currency balances include accumulated indexation or conversion restatements on the reporting date.

	2022 CLP MM	2021 CLP MM
Deposits and obligations with the Treasury	128.8	136.8
Other deposits and obligations	11,060,805.5	8,212,925.9
Total	11,060,934.3	8,213,062.7

(a) The item Deposits and obligations with the Treasury includes:

	2022 CLP MM	2021 CLP MM
Current accounts held by the Treasury	128.8	136.8
Total	128.8	136.8

(b) The item Other deposits and obligations includes:

	2022 CLP MM	2021 CLP MM
Standing deposit facility in local currency (FPD)	9,583,476.4	4,549,147.5
Bank current accounts in foreign currency	912,498.4	2,524,603.8
Short-term foreign currency deposits by banks	536,020.9	1,116,378.3
Derivatives (intervention program)	11,437.1	—
Other	17,372.7	22,796.3
Total	11,060,805.5	8,212,925.9

NOTE 17: SECURITIES ISSUED BY THE CBC

Central Bank securities are financial liabilities issued in order to implement monetary and debt policy decisions. They are initially measured at fair value and are not affected by transaction costs; they are subsequently measured at amortized cost using the effective interest rate method through profit or loss. Non-indexed balances are stated at par value, while inflation-indexed balances include the accumulated indexation adjustments on the date of the financial statements.

The securities issued by the Bank include Central Bank discount notes (PDBC), peso-denominated Central Bank bonds (BCP), and UF-denominated Central Bank bonds (BCU). The indexed notes payable in coupons (PRC) matured in August 2022.

The issue of securities by the Bank is the main element supporting the implementation of monetary and debt policy, to efficiently provide liquidity to the market and deepen market transactions.

As of 31 December 2022 and 2021, Central Bank securities recorded the following maturities:

	(Millions of pesos)					Total 2022
	Up to 90 days	91 to 180 days	181 days to 1 year	Over 1 year to 3 years	Over 3 years	
Central Bank discount notes (PDDBC)	33,995,205.1	3,850,838.7	—	—	—	37,846,043.8
Peso-denominated Central Bank bonds (BCP)	58,624.7	—	—	—	—	58,624.7
UF-denominated Central Bank bonds (BCU)	79,890.6	—	—	—	79,633.9	159,524.5
Other	7.8	—	—	—	—	7.8
Total	34,133,728.2	3,850,838.7	—	—	79,633.9	38,064,200.8

	(Millions of pesos)					Total 2021
	Up to 90 days	91 to 180 days	181 days to 1 year	Over 1 year to 3 years	Over 3 years	
Central Bank discount notes (PDDBC)	42,086,428.4	49,384.0	121,316.0	—	—	42,257,128.4
Peso-denominated Central Bank bonds (BCP)	112,533.8	—	—	59,059.5	—	171,593.3
UF-denominated Central Bank bonds (BCU)	143,835.5	—	124,554.5	71,032.0	70,194.3	409,616.3
Indexed notes payable in coupons (PRC)	375.1	524.2	1,175.8	—	—	2,075.1
Other	7.8	—	—	—	—	7.8
Total	42,343,180.6	49,908.2	247,046.3	130,091.5	70,194.3	42,840,420.9

The balances include interests and indexation adjustments accumulated through 31 December of each year.

NOTE 18 PROVISIONS

The Central Bank has constituted provisions for severance indemnities, a benefit established in the Collective Labor Agreement in effect for the period 2019–2022, which are calculated using the projected cost model. These provisions also cover the retirement benefits to the former Association of Retired Employees and Pension Beneficiaries of the Central Bank of Chile and benefits associated with the retirement health plan, as follows:

	2022 CLP MM	2021 CLP MM
Severance indemnity	11,507.6	11,174.0
Special indemnity and agreed deposit for retirement plan (Res.1651)	202.0	509.5
Subtotal provision for severance indemnity	11,709.6	11,683.5
Benefits to former Assoc. Retired Employees and Pension Beneficiaries	2,041.9	1,920.6
Retirement health plan benefits	2.9	7.9
Pending accrued vacation time for personnel	4,547.0	4,466.1
Special indemnity (Res. 572-05-961226)	0.3	0.3
Incentive allocation	450.8	453.9
Death benefit allocation	20.9	20.3
Subtotal other provisions	7,063.8	6,869.1
Total	18,773.4	18,552.6

	2022 CLP MM	2021 CLP MM
Movements in severance indemnity provisions (*):		
Current value of liabilities on 01 January	11,683.5	15,592.2
Service costs in the current period	1,411.2	(570.9)
Interest costs	640.3	873.2
Benefits paid in the current period	(1,802.4)	(1,693.1)
Actuarial (gains) losses	(223.0)	(2,517.9)
Balance on 31 December	11,709.6	11,683.5

(*) Excluding benefits for the former Association of Retired Employees and Pension Beneficiaries of the Central Bank, retirement health plan benefits, incentive allocation, and death benefit allocation.

	2022 CLP MM	2021 CLP MM
Total post-employment benefit provisions expense:		
Service cost in the current period	1,310.8	(663.6)
Interest costs	747.1	1,008.1
Total	2,057.9	344.5

On 31 December 2022, the sensitivity of the actuarial liability deriving from post-employment benefits to the indicated changes in actuarial assumptions is as follows:

Sensitivity analysis variables	Baseline scenario	Scenario 1	Scenario 2
Discount interest rate (-1%, +1%)	5.48%	4.48%	6.48%
Effect on severance indemnity provisions (CLP MM)	11,709.6	12,395.0	10,740.4
Effect on severance indemnity provisions (%)	—	5.85%	-8.28%

Calculation of probable severance indemnity payments	2022 CLP
Short-term provisions for severance indemnity (up to one year)	2,634.8
Long-term provisions for severance indemnity (over year)	9,074.8
Total	11,709.6

NOTE 19: CAPITAL

(a) Capital

Financial capital

This item corresponds to the historical capital recorded on the financial statements in accordance with the IFRS. On 31 December 2022, financial capital was CLP 3,416,943.8 million (31 December 2021: negative CLP 2,247,211.7 million).

Capital to be constituted

For the purposes of possible future distributions to the Treasury, the Bank monitors Capital to be constituted.

Article 5 of the Central Bank's Basic Constitutional Act mandated initial capital of CLP 500,000 million, which on 31 December 2022 corresponds to CLP 3,257,100.4 million (31 December 2021: CLP 2,874,757.6 million) adjusted for consumer price index inflation at year-end, with a one-month lag, which must be constituted as stipulated in transitional Article 2 of the same law (it will be retained from any surplus produced in future periods). To date, the initial capital has not been constituted, and in 2022 and 2021 there were no capital contributions by the Treasury.

With the 2010 accounting period, the Board discontinued the application of comprehensive price-level restatement to the financial statements in order to comply with IFRS, such that the capital revaluation is not presented on the statement of financial position or the statement of comprehensive income, but rather is recorded in memorandum accounts, for the purposes of compliance with Article 5 of the Central Bank's Basic Constitutional Act, wherein the second paragraph stipulates that "by majority decision of the Board, capital can be increased through capitalization of reserves and revalued through price-level restatement."

On 31 December 2022, the capital revaluation from price-level restatement, recognized in memorandum accounts, was CLP 245,953.6 million (negative CLP 239,547.3 million in 2021), resulting in an adjusted capital at year-end of positive CLP 2,095,228.7 million (negative CLP 3,814,880.4 million in 2021).

Capital to be constituted by the Bank at each year-end is as follows:

	2022 CLP	2021 CLP
1- Initial capital (CLP 500,000 million + revaluation)	3,257,100.4	2,874,757.6
2- Adjusted historical capital:	2,095,228.7	(3,814,880.4)
Financial capital	3,416,943.8	(2,247,211.7)
Revaluation adjustment	(1,321,715.1)	(1,567,668.7)
3- Surplus (deficit) in the year	(2,604,154.6)	5,664,155.5
4- Initial capital to be constituted (1–2–3)	3,766,026.3	1,025,482.5

Once the initial capital has been constituted, the Bank will apply the provisions of Title VI of the Basic Constitutional Act, regarding the distribution of Bank surpluses (see note 25).

(b) Accumulated other comprehensive income

This category comprises accumulated income and expense items that are not recognized in profit or loss, but rather are recorded in Other comprehensive income (equity), as required or allowed under other IFRS. These items can be classified as follows:

	2022 CLP MM	2021 CLP MM
Items that will not be reclassified to profit or loss	49,147.3	52,899.6
Items that can be reclassified to profit or loss	(1,548,140.8)	(218,068.7)
Total	(1,498,993.5)	(165,169.1)

Items that will not be reclassified to profit or loss:

- Actuarial gains (losses) on post-employment benefit provision are changes in the valuation of the benefits liability at current value due to changes in the actuarial variables or to differences between the expected result and the actual result of the liability valuation (experience adjustments).
- Fair value adjustments to equity instruments refers to the irrevocable choice to present subsequent changes in fair value in other comprehensive income for Other foreign assets (financial assets that are not held for trading) measured at FVOCI.

	Balance on 31 Dec 21	Net change	Balance on 31 Dec 22
Actuarial gains (losses)	381.2	(443.7)	(62.5)
Fair value adjustments to equity	52,518.3	(3,308.5)	49,209.8
Total	52,899.5	(3,752.2)	49,147.3

	Balance on 31 Dec 20	Net change	Balance on 31 Dec 21
Actuarial gains (losses)	(2,130.1)	2,511.3	381.2
Fair value adjustments to equity	44,789.8	7,728.5	52,518.3
Total	42,659.7	10,239.8	52,899.5

- Fair value adjustments to debt instruments refers to the presentation of subsequent changes in fair value in other comprehensive income for assets in the investment portfolio, measured at FVOCI. When a financial asset classified at measured at FVOCI is derecognized, the accumulated gain or loss previously recognized in Other comprehensive income is reclassified from equity (OCI) to profit or loss with a reclassification adjustment.

	2022 CLP MM	2021 CLP MM
Opening balance	(218,068.6)	466,031.4
Reclassification from OCI to profit or loss	(210,753.8)	(235,423.2)
Net change in the period	(1,119,318.4)	(448,676.8)
Closing balance	(1,548,140.8)	(218,068.6)

(c) Retained earnings

This item breaks down into Foreign currency revaluation and Surplus (deficit) for the year.

	2022	2021
	MM\$	MM\$
Revaloración cambiaria	(337.538,9)	-
Excedentes (Déficit) del ejercicio	(2.604.154,6)	5.664.155,5
Total	(2.941.693,5)	5.664.155,5

Foreign currency revaluation

This item corresponds to accumulated unrealized foreign exchange gains (losses) in the year deriving from foreign currency valuation (foreign currency positions). When foreign exchange gains (losses) are realized, they are transferred to Surplus (deficit) for the year.

Surplus (deficit) for the year

This item corresponds to profit or loss adjusted for unrealized foreign exchange gains (losses), plus the realized foreign exchange gains (losses) transferred from Foreign currency revaluation (see note 25).

NOTE 20: NET GAIN (LOSS) FROM INTERNATIONAL RESERVES

The net gain (loss) generated by international reserves, at year-end of each year, breaks down as follows:

	2022 CLP MM	2021 CLP MM
Interest income and expense:		
Interest income	390,587.2	205,870.6
Investments measured at FVOCI (effective rate)	314,896.4	185,058.6
Investments measured at amortized cost (effective rate)	75,545.9	20,812.0
Investments measured at FVTPL (coupon rate)	144.9	—
Interest expense	(291,668.3)	(274,442.6)
Amortized cost (effective rate)	(45.4)	(0.3)
Investments measured at FVOCI (effective rate)	(291,622.9)	(274,442.3)
Subtotal	98,918.9	(68,572.0)
Fee and commission income and expense:		
Fee and commission income	5,564.0	2,083.2
Operating income	46.0	—
Securities lending fees (*)	5,518.0	2,083.2
Fee and commission expense	(2,308.8)	(1,953.8)
Fee and commission expense	(269.2)	(644.5)
Current account operating expenses	(854.5)	(932.9)
Securities custody fees	(1,185.1)	(376.4)
Subtotal	3,255.2	129.4
Income from sale of investments:		
Sale of investments measured at FVOCI	(263,239.7)	299,293.5
Subtotal	(263,239.7)	299,293.5
Other income (expense):		
Derivatives	6,791.5	620.1
Other:		
Fair value of investments through profit or loss (FVTPL)	(603.9)	—
Impairment	(1,853.2)	(1,278.2)
Taxes	(589.6)	(689.0)
Other	175.6	—
Subtotal	3,910.4	(1,347.1)
Total	(157,155.2)	229,503.8

(*) At year-end 2022 and 2021, the value of securities on loan (par value) represented 13% of total reserves (CLP 4,316,315.8 million in 2022 and CLP 5,520,150.,4 million in 2021). Securities are loaned overnight against collateral that exceeds the value of the securities.

NOTE 21: NET LOSS FROM OTHER FOREIGN OPERATIONS

The net loss from other foreign transactions breaks down as follows:

	2022 CLP MM	2021 CLP MM
Interest expense	(34,686.9)	(919.3)
SDR allocations	(34,686.9)	(919.3)
Other income (expense)	(101,962.5)	(84,934.8)
FLAR institutional reserve	(50,367.3)	—
Fee and commission expense	(52,485.5)	(86,759.2)
BIS dividends	947.6	1,889.1
Other:		
Fiscal agency operating expenses	(57.3)	(64.7)
Total	(136,649.4)	(85,854.1)

NOTE 22: NET GAIN (LOSS) FROM DOMESTIC OPERATIONS

The net gain (loss) from domestic transactions, at year-end of each year, breaks down as follows:

	CLP MM	CLP MM
Interest and indexation income (expense):		
Interest and indexation income:	949,270.7	598,416.7
Foreign currency deposits (negative rate)	—	330.0
Domestic loans	159,771.5	136,610.7
Operations under specific legal regulations	45,503.4	21,873.3
Internally managed investment portfolio	743,995.8	439,602.7
Interest and indexation expense:	(4,103,197.0)	(514,532.4)
Securities issued	(3,442,949.9)	(427,334.6)
Deposits and obligations	(660,247.1)	(87,197.8)
Subtotal	(3,153,926.3)	83,884.3
Other net income (expense):		
Derivative operations	616,786.8	—
Other:		
Commissions	3,801.5	3,865.8
Impairment	2,845.5	24,960.4
Subtotal	623,433.8	28,826.2
Total	(2,530,492.5)	112,710.5

NOTE 23 NET GAIN (LOSS) FROM FOREIGN EXCHANGE OPERATIONS

The net gain (loss) from foreign exchange operations, at year-end of each year, derives primarily from the effect of exchange rate fluctuations on foreign exchange assets, as follows:

	2022 CLP MM	2021 CLP MM
Unrealized foreign exchange gains (losses):		
U.S. dollar	204,629.3	9,634,138.9
Yuan	(181,763.7)	775,238.5
Euro	(84,741.5)	(1,039,133.1)
Pound sterling	(123,792.9)	(662,382.8)
Australian dollar	(54,053.8)	(1,193,374.1)
South Korean won	(45,802.4)	313,469.8
Other currencies	(52,013.9)	(2,291,749.0)
Subtotal unrealized foreign exchange gains (losses)	(337,538.9)	5,536,208.2
Realized foreign exchange gains (losses):		
Foreign-exchange arbitrage	(1,529.4)	—
Operating income from spot foreign currency sales in the national market	371,839.9	—
Loss from foreign currency swaps in the national market	(835.2)	—
Subtotal realized foreign exchange gains (losses)	369,475.3	—
Total	31,936.4	5,536,208.2

NOTE 24: CURRENCY ISSUANCE, DISTRIBUTION, AND PROCESSING COSTS

Banknote and coin issuance, distribution, and processing costs at year-end of each year break down as follows:

	2022 CLP MM	2021 CLP MM
Banknotes	(18,663.4)	(31,167.9)
Coins	(33,372.4)	(24,258.3)
Distribution and processing	(2,957.9)	(2,623.9)
Total	(54,993.7)	(58,050.1)

NOTE 25: DETERMINATION OF THE DISTRIBUTABLE SURPLUS (DEFICIT)

Any surpluses produced in a given fiscal year are distributed according to the provisions of Article 77 of the Basic Constitutional Act, which establishes the following order of priority and purposes:

- i. Up to 10% of the total surplus will be allocated to the constitution of reserves, pursuant to the Board's decision; and
- ii. The resulting balance, after the constitution of reserves described above, will be allocated to fiscal revenue, unless it is wholly or partially applied by law to increase the Bank's capital or reserves.

The above rule on the distribution of surpluses will not go into effect until the Bank's initial capital has been constituted, in accordance with Article 5 of the Basic Constitutional Act.

The deficit produced in some fiscal years will be absorbed with a charge to constituted reserves. In the event that there are no reserves or that the existing reserves are insufficient, the deficit produced in some fiscal years will be absorbed with a charge to paid-in capital.

For the determination of the surplus to be distributed or the deficit in the fiscal year, the Basic Constitutional Act stipulates that Accounting profit or loss will be used, with the following adjustments:

- iii. Deduct unrealized foreign exchange gains (losses) in the year deriving from foreign currency valuation (foreign currency positions). Unrealized foreign exchange gains (losses) will be presented on the Statement of Changes in Equity with the accumulated comprehensive income in the year, in a column with the heading Foreign currency revaluation.
- iv. Add unrealized foreign exchange gains (losses) that were recorded in past periods on the Statement of Changes in Equity under the heading Foreign currency revaluation and that were realized in the year in question.
- v. The resulting amount after the above adjustments, and following the constitution of reserves for up to 10% of that resulting amount pursuant to the Board's decision, will be considered a surplus to be distributed to the Treasury or a deficit to be absorbed in the year.

In 2022 and 2021, the distributable surplus (deficit) is as follows:

	2022 CLP MM	2021 CLP MM
Profit (loss) for the year	(2,941,693.5)	5,664,155.5
Deduct		
Unrealized foreign exchange gains (losses) in the year transferred to <u>Foreign</u> currency revaluation	(337,538.9)	—
Add:		
Realized foreign exchange gains (losses) transferred from <u>Foreign</u> currency revaluation	—	—
Constitution of legal reserves	—	—
Surplus (deficit) for the year	(2,604,154.6)	5,664,155.5

*The distribution of the surplus does not apply as long as the Bank's initial capital has not been fully constituted, in accordance with Article 5 the Basic Constitutional Act (see note 19 (a)).

NOTE 26 CONTINGENCIES AND COMMITMENTS

There are no lawsuits in process against the Central Bank of Chile that could have a material effect on equity and that would thus merit being recorded in the financial statement.

NOTE 27: INCOME TAX

Pursuant to Article 7 of Decree Law N°3,345 of 1980, the Bank is exempt from income taxes.

NOTE 28: FISCAL AGENCY

Law N°20,128, on Fiscal Responsibility created the Economic and Social Stability Fund (ESSF) and the Pension Reserve Fund (PRF). In conformity with

the provisions of this law, the Finance Ministry, through Executive Decree N°1,383 of 2006, amended by Executive Decree N°1,618 of 2012 (the ESSF/PRF Fiscal Agency Decree), appointed the Central Bank of Chile to act as fiscal agent in the management of the resources held in these two funds, in accordance with the procedures, conditions, modalities and standards established in the executive decree.

In addition, the Bank was appointed fiscal agent for the management of the Strategic Contingency Fund (SCF) through Executive Decree N°19 of 2011, issued by the Ministry of Finance. Pursuant to the repeal of Law N° 13,196 (“Copper Reserve Law”), under the provisions of Law N° 21,174 of September 2019, and in accordance with the stipulations of Article 10 of the SCF Fiscal Agency Decree, the Finance Ministry informed the Bank of the termination of the fiscal agency agreement, effective 31 December 2019. Through Reserve Letter N° 524, dated 30 March 2020, the Bank submitted the final statement of accounts for this fiscal agency, which was approved through Joint Resolution N° 6, of 29 April 2020, by the Ministries of Finance and National Defense.

Article 102 of the aforementioned Law N° 21,174, which establishes a new funding mechanism for strategic national defense, considered the creation of a new Strategic Contingency Fund (SCF). The fourth paragraph of the article stipulates that the SCF resources are to be invested in accordance with the provisions of Articles 12 and 13 of Law N° 20,128.

By Executive Decree N° 334, of 2020, the Finance Ministry introduced a series of amendments to the ESSF/PRF Fiscal Agency Decree, in order to include the SCF as part of the fiscal resources under its management, which was accepted by the Bank (ESSF/PRF/SCF Fiscal Agency Decree). To date, no contributions have been made to the SCF.

In accordance with Article 5 of the ESSF/PRF/SCF Fiscal Agency Decree, the investment of the fiscal resources managed by the Central Bank, as fiscal agent, has been carried out in compliance with the guidelines established by the Finance Ministry. The Central Bank records these investments in off-balance-sheet accounts.

The current guidelines are contained in the following documents:

- (a) ESSF performance guidelines: Ordinary Letter N°1,815 of 2021, amended by Ordinary Letter N°1,942 of 2022, both from the Finance Ministry.
- (b) PRF performance guidelines: Ordinary Letter N°1,838 of 2020, amended by Ordinary Letters N°606 and 1,942 of 2022, all from the Finance Ministry.
- (c) SCF performance guidelines: Ordinary Letter N°1,321, of 2020, amended by Ordinary Letter N°1,518 of 2021, both from the Finance Ministry.
- (d) ESSF/PRF custody guidelines: Ordinary Letter N°2,463 of 2018, amended by Ordinary Letter N°69 of 2019, both from the Finance Ministry.

NOTE 29 RELATED-PARTY TRANSACTIONS

(a) The Central Bank of Chile has no related companies.

(b) Remuneration of the Board and key executives:

In accordance with the Central Bank's Basic Constitutional Act, the remuneration of the Board is determined by President of the Republic for periods not exceeding two years, based on a recommendation by a commission of former governors or deputy governors of the Central Bank, appointed by the President of the Republic. The law establishes that the proposed remunerations should take into account the remunerations currently received by the highest executives of banks in the private sector.

The remunerations of the General Manager, General Counsel, and General Auditor of the Central Bank of Chile are classified as level one in the remunerations structure, per the treatment of these positions in Articles 24 to 26 of the Basic Constitutional Act.

The total gross remunerations paid to the Central Bank Board and key executives in 2022 was CLP 1,664.6 million (CLP 1,673.2 million in 2021).

NOTE 30 MATERIAL EVENTS

(a) Through Resolution N° 2513-01, of 10 November 2022, the Board approved the updated "Framework for the Preparation and Presentation of the Central Bank of Chile's Financial Statements." The main change is the incorporation of a new section, Determination of the Distributable Surplus (Deficit). The updating of the framework does not imply changes in the accounting principles used, and the only effects are at the level of presentation and disclosure, as follows:

- Statement of Financial Position: In Equity, the name of the line item Other reserves was changed to Accumulated other comprehensive income, where the content (accumulated fair value adjustments and actuarial gains/losses) and the figures presented in 2021 were not modified at all. The item "Reserves" will be used for the constitution of legal reserves, pursuant to the Board's decision, using up to 10% of the total surplus, subject to the stipulations of transitional Article 2° and Article 77 (letter a) of the Bank's basic Constitutional Act.

- Statement of Changes in Equity: The name of the line item Other reserves was changed to Accumulated other comprehensive income, and it was subdivided into Items that will not be reclassified to profit or loss (Fair value adjustments to equity instruments and Actuarial gains/losses on post-employment benefit provision) and Items that can be reclassified to profit or loss (Fair value adjustments to debt instruments). The latter only implied regrouping the figures for 2021. Additionally, within Accumulated other comprehensive income, two columns were incorporated: Foreign currency revaluation, to control unrealized foreign exchange gains (losses) and their subsequent realization, and Surplus (deficit) for the year, which corresponds to the accounting profit or loss adjusted for unrealized foreign exchange gains (losses).
- Note 19 Capital: This note was revised to incorporate the indicated changes to the Statement of Financial Position and the Statement of Changes in Equity.
- Note 23 Net gain (loss) from foreign exchange operations: This note was revised to incorporate the separation of realized and unrealized foreign exchange gains (losses).
- Note 25 Determination of the distributable surplus (deficit): A new note was incorporated on the determination of the distributable surplus (deficit).

(b) Measures adopted by the Bank and material events in the period:

(b)-1 Foreign exchange market

In July 2022, to facilitate the Chilean economy's adjustment to the changing internal and external conditions and the associated uncertainty, the Central Bank Board decided to implement a foreign exchange intervention and preventive dollar liquidity provision program, for up to USD 25.0 billion.

In particular, the intervention in the foreign exchange market would consider:

1. Spot dollar sales of up to USD 10.0 billion.
2. Sale of foreign currency hedging instruments of up to USD 10.0 billion.

The Board further decided to offer a preventive currency swap program of up to USD 5.0 billion, which would be complemented by a

peso liquidity program via repos with the same maturities.

In September 2022, the Bank communicated that, as announced in July 2022, the foreign exchange intervention and preventive dollar liquidity provision program would end on Friday, 30 September 2022.

Starting on the indicated date, the Bank began to offer only the rollover of existing dollar forwards, at market conditions; this rollover scheme will extend through 2 June 2023.

Finally, the intervention program resulted in spot dollar sales of CLP 6.150 billion.

(b)-2 Monetary policy rate and banking sector loans

- On the monetary side, to ensure the convergence of inflation to the target range, the Board increased the MPR over the course of the year, from 4.00% to 11.25%.
- In March 2022, the LCL ended and was not renewed (the regulation stipulated that the banks had the option of transferring this credit to the FCIC under the financial terms of the FCIC1, and almost all the funds loaned under the LCL were thusly transferred). The LCL is a liquidity credit line activated by the Bank, with each bank's limit equal to its average reserves in local currency. Access to and use of the LCL was subject to the same conditions of increased lending established for the FCIC, with the difference that the limit was based on the bank's reserves.

(b) Measures adopted by the Bank and material events in the period, continued:

(b)-2 Monetary policy rate and banking sector loans, continued

- In response to the financial tensions caused by the COVID-19 pandemic, the Bank implemented a series of measures, starting in March 2020, to inject liquidity into the economy and support the flow of credit and the transmission of monetary policy. These included the establishment of the collateralized FCIC, which is no longer available and is scheduled to come due in March and July 2024.

To facilitate an orderly settlement of the FCIC, the Central Bank Board has made available a program for standardizing the eligible collateral,

consisting in the replacement of the current stock of pledged loan portfolios with instruments that are eligible for the Central Bank's regular liquidity operations, namely, the intraday liquidity facility (FLI), the standing liquidity facility (FPL), and repos. This standardization program begins on 26 January 2023.

- In June 2022, the Bank signed the RMB Liquidity Arrangement for Central Banks with the BIS. This agreement, which includes the participation of five other central banks, gives the Bank access to complementary liquidity in both U.S. dollars and Chinese renminbi.
- In August 2022, the Bank accepted another FCL from the IMF, this time for USD 18.5 billion (SDR 13.954 billion), at the same time closing the short-term liquidity line (SLL) of USD 3.3 billion, which was opened in May 2022. This is part of the Bank's strategy to strengthen the available tools for facing the risk of significant external shocks.
- On 21 October 2022, the first Treasury Transfer under Law N° 18,401 was received, equivalent to one-fifth of the total debt.

(c) Through Executive Decree N° 147, issued by the Finance Ministry on 3 February 2022, Rosanna Costa Costa was appointed the new Governor of the Central Bank of Chile, effective 3 February 2022, for a period of five years.

(d) Through Executive Decree N° 292, issued by the Finance Ministry on 4 March 2022, Stepanka Novy Kafka was appointed Member of the Board of the Central Bank, effective 1 May 2022, through 24 December 2025.

(d) Mediante Decreto Supremo N° 292, del 4 de marzo de 2022, del Ministerio de Hacienda, se designó a la señora Stepanka Novy Kafka como Consejera del Banco, a contar del 1 de mayo de 2022, hasta el 24 de diciembre de 2025.

NOTE 31 SUBSEQUENT EVENTS

In the opinion of the Management of the Central Bank of Chile, the following events that occurred between 31 December 2022 and the publication of these financial statements could have a material effect on the data presented herein:

(a) Exchange rate fluctuation of the main currencies.

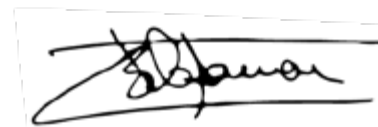
The observed peso-dollar exchange rate on 23 January 2023 was CLP 821.02, which represents a decrease of CLP 38.49 relative to the exchange rate used for the accounting closure on 31 December 2022. This would represent a reduction in the Bank's equity of CLP 1,077,998.5 million.

(b) Approval of the financial statements

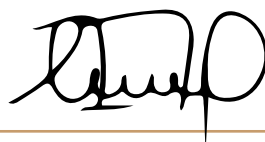
The financial statements for the year ended on 31 December 2022 ended on 31 December 2021 were 26 January 2023, and they were approved for publication at Board Meeting N°2531 on the same date.

(c) Other

There are no other subsequent events that could have a material effect on the figures presented herein or on the economic and financial position of the Central Bank of Chile.



BELTRÁN DE RAMÓN ACEVEDO
General Manager



EVELYN ADASME MATUS
General Accountant



SILVIA QUINTARD FLEHAN
Auditor General