

Integrated Annual Report

2023



**banco
central**
Chile



(GRI 2-1/ 2-2/ 2-3)

Name of the organization:

Central Bank of Chile

Tax identification number

97.029.000-1

Ownership and legal form:

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.

Location of headquarters:

Agustinas 1180, Santiago.

Website:

www.bcentral.cl

Period of the report:

2023

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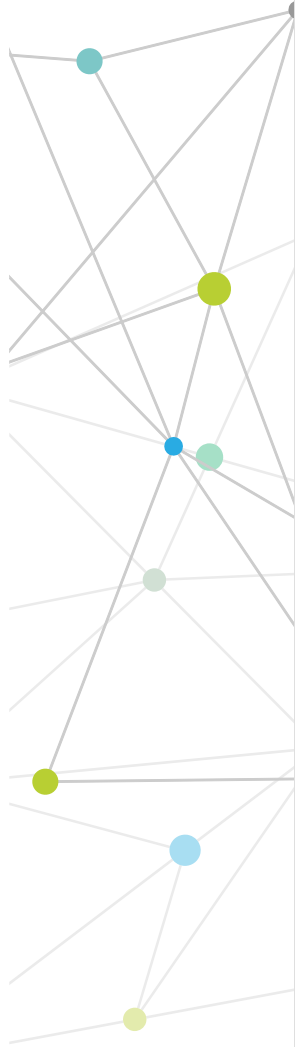
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1. Letter from Rosanna Costa

Governor of the Central Bank of Chile

GRI 2-22

The year 2023 was marked by three major milestones for our institution. The first and most significant, considering our mandate, was the reduction of inflation. We were faced with an enormous challenge. In 2022, inflation reached levels not seen in the last three decades and closed that year at 12.8%, with expectations deviating from the target in our forecast horizon, which is two years.

The key factor in this process was monetary policy. To contain the sharp rise in prices between 2021 and 2022, we raised the monetary policy rate (MPR) significantly, from 0.5% to 11.25%. We thus applied the Central Bank's main tool to generate the adjustment that the economy needed and to reduce the impact of the excess spending accumulated in previous years.

When we saw that the process of inflation convergence to the target had been consolidated, we became one of the first countries to initiate the process of reducing the MPR. In July of last year, the Board decided to begin the cycle of cuts with a reduction of 100 basis points.

At the time of publication of this Integrated Annual Report, the cuts totaled 475 basis points, and the MPR stands at 6.5%. At the same time, inflation is very close to the 3% target, and two-year inflation expectations have been anchored at 3% for several quarters now.

Meanwhile, in the United States, inflationary convergence has not yet been clearly established, so the U.S. Federal Reserve has not given clear signals as to when it will reduce its monetary policy rate. Other banks in the region are proceeding at a slower pace according to their particular circumstances. All this produces a smaller rate differential with the United States and a wider differential with some countries in the region, increasing tension and sensitivity on the peso.

With our measures and the contribution of a fiscal policy aimed at maintaining equilibrium, we have been closing the significant imbalances that have accumulated in recent years.

Now that inflation is close to 3% and market expectations are aligned with this target, transitory factors that push inflation upward can be accommodated without major changes in monetary policy within the policy horizon.



The policy framework in place over the last two decades has provided a valuable tool for facing complex times, and it will undoubtedly continue to help us in the future.

The second milestone is related to our mandate for financial system stability.

In 2023, the financial markets were more volatile, in the context of an uncertain and sensitive scenario marked by unexpected economic news.

In March, global attention was focused on the collapse of Silicon Valley Bank and Signature Bank in the United States, followed by the collapse of Credit Suisse in Europe. This generated turmoil in the markets and caused investors to seek refuge, following on previous events in, for example, the United Kingdom. This brought to the fore some vulnerabilities that could have generated disruptions in the markets, but which were well contained with timely and coordinated responses from the authorities.

The deterioration of financial conditions created a scenario in which low-probability but high-impact tail risks could not be ruled out.

In this context, at the first Financial Policy Meeting (FPM) of the year, held in May, we decided to activate a countercyclical capital requirement (CCR) of 0.5% of risk-weighted assets, with a one-year implementation period.

By mid-year, local uncertainty was easing and was below the previous year's levels; inflation was declining; and two-year inflation expectations had returned to the 3% target.

The Board then decided to implement a program to strengthen the international liquidity position, which considered the accumulation of additional international reserves totalling USD 10 billion, through daily purchases of USD 40 million over a period of 12 months. This program was suspended at the beginning of October, when world financial conditions deteriorated sharply in a scenario of heightened global uncertainty. Although there was no evidence that the reserve accumulation program was having a significant effect on the value of the exchange rate, the volatile external conditions could potentially have an effect on the functioning of the foreign exchange market, which made a precautionary stance advisable.

The third milestone, which was a top priority for our institution in 2023, was the implementation of the 2023–2027 Strategic Plan, entitled Our Mandate, Our Commitment.

This roadmap seeks to lead the Central Bank's management by emphasizing our role as a public institution that contributes to the development of the country and the welfare of its citizens.

The Plan, which was developed through a process of internal co-creation and important contributions from external stakeholder groups, incorporates all the advances of the previous Plan and clearly establishes our objectives, the areas where we need to focus in order to achieve those objectives, and the initiatives and lines of action to achieve them efficiently.

The rationale behind the Plan is that the Central Bank must fulfill its mission in a world of accelerating technological advances and profound digital transformation, characterized by new business models and financial innovations; volatility in the global economy, with increased geopolitical tensions; the effects of climate change; and advances in artificial intelligence, among other factors. For this five-year period, to face the challenges imposed by the current environment, we have proposed to maintain and deepen our seal of excellence, reinforcing our connection with the wider community—especially in the regions outside of Santiago—and promoting an internal organization that fosters collaborative work, diversity, and inclusion.

Being a state-of-the-art central bank implies quickly and fully incorporating the changes that the world is undergoing in different areas. These are related not only to the mission or vision of an organization, but also to the way it operates, ensuring transparent governance, high ethical and socially responsible standards, the best labor practices, strong community ties, and a high level of compliance with its obligations.

During the first year, we have already made progress. We were pioneers in sharply lowering the interest rate, driving an equally strong reduction in inflation, and we activated the countercyclical capital requirement, a new macroprudential instrument. In addition, our macroeconomic and financial analyses have incorporated a greater use of microdata, which has enriched the analysis and provided us with much more accurate and precise information for our decisions.

One of our major challenges is to have a financial system and a payment system capable of rapidly incorporating all the advances of the digital world, while still meeting cash needs, a task in which we are currently engaged and have already taken the first steps. In our role, we must be attentive to these developments and contribute to generating an environment that adequately combines security and innovation.

The first course of action was to issue a new regulation for the retail payment clearing houses in order to bring these infrastructures into the regulatory perimeter, because they are processing an increasing number of payments. The Low-Value Payments Clearing House now settles transactions in our real-time gross settlement (RTGS) system, with international operational standards and financial safeguards.

We continue to conduct studies and analyses on the advantages and disadvantages of a central bank digital currency and to learn about related technological innovations and their potential.

In our efforts to broaden our ties with the community, the Board members have traveled to various regions of the country to present our macroeconomic and financial reports and discuss the Strategic Plan. We have also launched new initiatives aimed at broadening the audiences that receive financial education.

Internally, in an effort to promote work with a corporate vision and a creative spirit, we have developed an application that allows those of us who are part of the Bank to collect and centralize innovative ideas in order to facilitate their management, recognizing the contribution of all of us.

We are also making progress in reviewing the organization's job profiles in order to enhance our people's development, attract new talent, and encourage the presence of women in STEM areas.

The Plan also stimulates sustainability awareness. In this area, we have launched a sustainable cafeteria project, and we are addressing the main challenges imposed by the search for work-life balance, based on the application of best practices in this area. There is a high level of staff commitment to the Strategic Plan and identification with each priority area, as well as with innovation, change, and commitment to greater teamwork. This is shown by the internal surveys we have conducted, which also reveal that the implementation of the Plan is not perceived as an additional workload.

For 2024, our main challenge will continue to be the reduction and maintenance of inflation around the 3% target. The public has seen the negative effect that high inflation can have on people's lives. A key factor in this process has been the resolution of the significant macroeconomic imbalances we had in previous years.

Although we have made decisive progress in controlling inflation, there is still a long way to go.

Everything we have achieved in 2023 is contained in this Integrated Annual Report, which reflects our economic and financial management, as well as our environmental, social and governance performance.

Together with the Board of Directors, I would like to thank all our staff for carrying out their work with commitment and professionalism, making this Bank an institution of excellence at the service of the country.

Thus, this report not only fulfills one of the obligations established in the Central Bank's Basic Constitutional Act (articles 78 and 79), but also demonstrates our firm commitment to transparency and accountability to society.



ROSANNA COSTA
Governor, Central Bank of Chile



2. Letter from Juan Pablo Araya General Manager (I)¹

In 2023, our institution faced the enormous challenge of returning inflation to a convergence path toward the 3% target. This was initially seen as a very complex task, especially considering that the previous year was marked by a sharp increase in the price level, which had not occurred in Chile for a long time.


However, the monetary policy decisions adopted and the resolution of macroeconomic imbalances—including the closing of the output gap, the normalization of aggregate demand, and the alleviation of the cost shocks of previous years—brought headline inflation down to 3.9% at the close of December. Moreover, this was achieved without major costs in terms of activity, which positioned the Bank among the best evaluated monetary authorities worldwide in 2023.

This shows that the Central Bank's technical and autonomous nature and its inflation-targeting regime, together with fiscal responsibility, are tools capable of reducing price instability and creating conditions for sustained economic growth. In turn, these key elements contribute to the common good, as was endorsed in the framework of the recent debates and proposals for a new Constitution.

From the perspective of financial stability, a critical milestone in the year was the approval of a law to strengthen the resilience of the financial system and its infrastructure, for which the Bank was an active participant in the debate. Additionally, the countercyclical capital requirement for banks was activated for the first time; this tool is part of the Basel III standards previously incorporated into our regulatory framework. These developments leave us much better prepared for potential disruptive events, especially now that world markets have become highly volatile.

Internally, in March 2023, the Board approved a new Strategic Plan for the period from 2023 to 2027, which Governor Rosanna Costa entitled "Our Mandate, Our Commitment."

¹Juan Pablo Araya served as interim General Manager from 30 October 2023 to 4 March 2024, replacing Beltrán de Ramón, who resigned from the position to join the Board of the Financial Market Commission. In March 2024, Luis Óscar Herrera took over as the new General Manager, with Juan Pablo Araya returning to his position as the institution's General Counsel.



This Plan was developed in 2022 through a co-creation process featuring the participation of the Bank's authorities and officers, as well as valuable contributions from external stakeholders. With a focus on sustainability, digital transformation, and innovation, the Plan incorporates the use of objectives and key results (OKRs), a cutting-edge organizational goal definition and monitoring methodology. Implemented together with the Microsoft Viva goal-tracking tool, this methodology allows for a collaborative and efficient recording of the achievements that are being developed within the framework of the Plan.

The evolution of this Plan in its first year demonstrates the firm commitment of the Bank's people to its implementation and the achievement of the defined objectives.

Of the total progress outlined for the first year, 92% was completed. Of the 95 key results defined for the year, 75 were achieved, which represents significant progress in terms of continuing to add value to the organization.

The Plan contains five strategic objectives aligned with the objectives and functions established in the Bank's Basic Constitutional Act. From them are derived priorities, initiatives, and lines of action.

With regard to the objectives themselves, compliance at the end of the fourth quarter of 2023 was 89%, which reflects the significant progress made toward the objective of maintaining annual CPI inflation around the 3% target for most of the time over a two-year horizon.

The Bank had a budget execution rate of 83% at the end of the last quarter of the year. This was higher than the 81% achieved the previous year. In 2023, we targeted the development of 125 projects, and at year-end, consolidated progress was 84% of the expected 95%, mainly due to the postponement of some of these projects to the last quarter of the year and the cancellation of 14 others.

Another important institutional milestone in 2023 was the approval of a joint research and modeling agenda for monetary and financial policy decisions that are linked to physical and environmental risks. We have also developed innovation strategies, always seeking an appropriate balance with risk management.

Other important developments within the Bank include the wider and more frequent use of microdata; the generation and dissemination of new macroeconomic statistics; the improvement of internal management processes; the expansion of financial education tools; more extensive contact with the regions; and the incorporation of more sustainable practices in areas of operation. During this period, we closely followed the development of means of payment, linked to the accelerated evolution of new technologies, which imposes strong regulatory and monitoring challenges. At the same time, the use of cash continues to have an enormously important role, which implies the careful implementation of logistics processes. In this area, the Bank publishes a comprehensive annual Payment Systems Report describing these developments and also conducts field research on people's payment behavior through the Cash Use and Preferences Survey, which provides a key input for treasury management.

In its efforts to attract talent and promote diversity, in 2023 the Bank continued working on initiatives to increase the representation of women throughout the institution. The Personnel Division, together with professional women from different divisions within the Bank, developed a liaison agenda with the main universities, participating in various fairs and giving talks on the work done by women in the Central Bank's activities, with the aim of attracting female students and young professionals to the organization. These actions are being carried out within the framework of one of the 2023-2027 Strategic Plan's lines of action, aimed at attracting women in STEM majors (science, technology, engineering, and mathematics). The goal is to increase female participation in these areas of our institution's work, with a gender and inclusion perspective, which we hope will be successful and add much value to both the Bank and society.

During the year we were also invited to participate collaboratively in the constituent process that closed in December. In this context, we made presentations to the Committee of Experts and the Constitutional Council, and their respective Subcommittees and Commissions on Jurisdictional Functions and Autonomous Bodies. The proposals generated by each of these bodies broadly reflected the background information presented by the Bank, which reflects a cross-cutting assessment of the role and work of our institution.

These months as General Manager have been filled with intense work, especially to give continuity to the tasks and initiatives promoted by the previous General Manager, Beltrán de Ramón, and to respond to the new challenges facing the institution. In this context, I was able to confirm the high level of commitment of all the Bank's people to fulfilling its objectives and, in this way, to contributing to Chile's development and to the welfare of its citizens.

I would like to close this brief overview of the main milestones of 2023 by extending a warm welcome to Luis Óscar Herrera, a highly acclaimed professional who has had a brilliant career both within and outside the Bank. As the new General Manager, as of 4 March 2024, he will have the mission of leading the Bank's management and the implementation of the Strategic Plan in the coming years.



JUAN PABLO ARAYA
General Manager (I)





3. Farewell Message from Pablo García

Former Deputy Governor of the Central Bank

In January of this year, I left the Central Bank after nearly a quarter of a century involved in the workings of this beloved institution. First, as an economist and executive in various positions, between 1999 and 2010; then, as Chile's representative on the Executive Board of the International Monetary Fund, from 2010 to 2014; and, finally, as a Board Member from 2014 to 2024. In the last two years, I had the privilege of serving as Deputy Governor, after being elected by my peers on the Board.

But rather than listing the events that marked the rhythm of the Chilean economy and my career during this period, in this letter I want to reflect on the lessons I have learned after all this time at the Central Bank. What follows are some of the ideas that I shared with the Bank's teams at the emotional farewell ceremony held for me on 18 January 2024.

The first reflection is that it is important to always bear in mind that nothing lasts forever, and when it comes time to leave, it is best to have your affairs in order, with no outstanding accounts or obligations to be fulfilled. I cannot help but think this is true, considering that the Chilean economy is now in a process of rebalancing, after so much turbulence. Something that, it must be said, was not at all clear after the social outbreak, the pandemic, and Russia's war against Ukraine.

In addition, the Central Bank continues to make steady progress in terms of structural change and modernization. I remember when Governor Marcel, back in 2016, asked me to do a benchmarking exercise. There, I identified several challenging issues for our institution: to continue deepening our strategic communication capacity; to modernize the communication of uncertainty around monetary policy; to continue striving to internationalize our currency; to develop a conceptual framework for the implementation of the countercyclical capital requirement. I am pleased that the Bank continues to move forward decisively in all these areas.

A second lesson is that we must recognize that we do not have all the answers. It is by working collectively that we can bring initiatives to fruition and make good decisions. Each one of us has characteristics that make us special, what economists call comparative advantage. We need to know ourselves, focus on our strengths,

and delegate the rest to more capable people. An institution that values excellence and is risk averse can easily fall into micromanagement. That is why having management and delegation skills is an important lesson.

An independent Central Bank, with broad citizen support, wields a degree of power that is quite unusual. It is the responsibility of all those who work in this institution to know their role and the characteristics that make them the best to play it. It requires generosity and honesty in recognizing one's own abilities and those of others.

Finally, we talk a lot about how people are our most important capital. About how the Central bank is for everyone. But what does this really mean? Basically, it means that the whole is more than the sum of its parts. If our country has entrusted us, as an institution, with a task, it is somewhat irrelevant if we as individuals have to step aside for one reason or another. We should always be proud to have been part of the Central Bank and feel that pride every time it is mentioned. We will remember the turbulent years for the economy, when we worked intensely as a team to face multiple situations and dilemmas to manage the crisis.

My last years at the Bank coincided with some of the most difficult times for this institution since it became an autonomous entity. We had to face a strong post-pandemic inflationary process that forced us to aggressively tighten our monetary policy, with the interest rate reaching 11.25%. And then, when we saw that inflation was beginning to ease, we entered into another process of rate reduction, which is still underway.

The pandemic itself put us in a critical position, because we had to implement drastic measures to face the serious risk of financial instability posed by pension withdrawals. The Bank showed that it was also capable of adequately fulfilling this mandate. At such times, relationships are forged that will last a lifetime.

I would like to thank President Sebastián Piñera (may he rest in peace) and his then Finance Minister Felipe Larraín for trusting in my professional abilities by nominating me to the Board on 6 January 2014. I thank the senators on the Finance Committee, particularly Juan Antonio Coloma, José García Ruminot, and Ricardo Lagos Weber, for all their support for our management. I had the opportunity to work with six presidents, twelve board members, and countless officials at the Bank. To all of them, thank you very much, and good luck in what lies ahead.

Finally, I thank my parents and my godfather for their love and dedication; my children, for everything I have learned from them; and my dear wife, for these years together. May they continue to be the best of our lives.



PABLO GARCÍA

Former Deputy Governor, Central Bank of Chile



4. Highlights

January

- **Monetary Policy Meeting (MPM) (Thursday, 26th) and press release**

In a unanimous decision, the Board voted to hold the monetary policy rate (MPR) at 11.25%. The corresponding press release was published at 6:00 PM the same day on the website and also sent to the traditional and social media.

- **We joined the Natural Capital Committee**

The Central Bank became an advisor to the Natural Capital Committee, which is made up of the ministries of the Environment, Finance, and the Economy, Development, and Tourism.

- **Journalist workshop led by the Central Bank Governor**

On Friday, 13 January, Governor Rosanna Costa gave a talk on “The Chilean Economy in 2023–2024,” in the framework of the 2022 Journalist Training Seminar organized in conjunction with the Economics and Finance Journalist Association of Chile (AIPEF).

February

- **Participation in the conference, “Big Techs in Finance: Implications for Public Policy”**

This BIS conference, held on 8–9 February in Basel, Switzerland, brought together policymakers, regulators, and supervisors to discuss various aspects of the regulation and supervision of the large tech companies in the area of finance.

March

- **Participation in the BIS Annual Meeting of Deputy Governors of Financial Markets**

The Central Bank participated in the conference held on 16–17 March and gave a presentation for the discussion panel on “The Technological Innovation Process in Central Banks.” The Bank also participated in the “BIS Innovation Summit” on 21–22 March.

- **Debate on the bill to strengthen financial system resilience**

Board Member Alberto Naudon spoke before the House of Representatives Finance Committee on the bill to strengthen the resilience of the financial system and its infrastructures.

- **Presentations by the Governor for the Committee of Experts on the Constitutional Process**

Governor Rosanna Costa discussed the role and functions of the Central Bank with the Committee of Experts on the 2023 Constitutional Process and the Subcommittee on Jurisdictional Functions and Autonomous Bodies.

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April

- **Monetary Policy Meeting (MPM) (Tuesday, 4th) and press release**

In a unanimous decision, the Board voted to hold the monetary policy rate (MPR) at 11.25%. The corresponding press release was published at 6:00 PM the same day on the website and also sent to the traditional and social media.

- **Publication and dissemination of the first IPoM of the year**

The first Monetary Policy Report (IPoM) of the year was published on the website on 5 April, followed by wide dissemination, starting with a presentation by the Governor and Board Members to the Senate Finance Committee. Subsequently, a press conference was held and broadcast via streaming, and in the following days the Report was presented by the Governor and Board Members at seminars held in various regions of the country and in press interviews. The main contents of the Report were also disseminated in press releases, infographics on the website, and social media messages.

May

- **Financial Policy Meeting (FPM) and press release**

At the FPM held on 23rd May, the Board of the Central Bank voted unanimously to activate the countercyclical capital requirement at a level of 0.5% of risk-weighted assets, which will enter into force in one year. The respective communication was published at 6:00 PM on the institutional website and also sent to the traditional media and uploaded to the Bank's social media accounts.

- **Publication of the FSR for the first half of 2023**

The Financial Stability Report was published on 24 May on the institutional website, and the Governor presented the report to the Senate Finance Committee. Dissemination activities included a press conference, a press release, infographics, and social media messages. Subsequently, the report was presented in seminars held throughout the country.

- **The Governor discussed pension withdrawals with the House of Representatives**

The Governor of the Central Bank, Rosanna Costa, gave a presentation on the economic and financial impacts of the pension savings withdrawals before the House Committee on Constitution, Legislation, Justice, and Regulation.

- **Appointment of new Division Director**

The Board of the Central Bank appointed Ricardo Consiglio Fonck to the position of Financial Markets Division Director.

- **The Bank was open to visitors on National Heritage Day**

Around 2,000 people visited the Bank building on National Heritage Day.

June

- **Monetary Policy Meeting (MPM) (Monday, 19th) and press release**

The Board voted to hold the monetary policy rate at 11.25%. Voting in favor of the decision were Governor Rosanna Costa and Board Members Alberto Naudon and Luis Felipe Céspedes. Deputy Governor Pablo García and Board Member Stephany Griffith-Jones voted to reduce the MPR by 50 basis. The corresponding press release was published on the website at 6:00 PM and was also sent to the traditional and social media.

- **Publication and dissemination of the June IPoM**

The second Monetary Policy Report (IPoM) of the year was published on the website on 20 June, followed by wide dissemination, starting with a presentation by the Governor and Board Members to the Senate Finance Committee. Subsequently, a press conference was broadcast via streaming, and in the following days the Report was presented by the Governor and Board Members at seminars held in various regions of the country and in press interviews. The main contents of the Report were also disseminated in press releases, infographics on the website, and social media messages.

- **Results of the National Survey on Cash Use and Preferences (ENUPE)**

The Central Bank of Chile published the results and main conclusions of this survey, conducted annually since 2012, which explores people's preferences for different means of payment.

- **International reserve accumulation program**

The Board of the Central Bank decided to initiate a program to replenish and expand international reserves for a total of USD 10 billion to strengthen the country's international liquidity position. The program will be in place for 12 months.

- **New social media accounts for the Statistics Division**

This month, we opened three new social media accounts for the Bank on X, LinkedIn, and Instagram, to disseminate statistical information. The content is prepared by the Statistics Division, while the Communications Area reviews and publishes the information. These profiles are in addition to the official, research, and educational accounts that the Bank already has on various social media platforms.

- **Journalist workshop led by Cecilia Feliú, Treasury Division Director**

On Thursday, 8 June, Cecilia Feliú, Director of the Bank's Treasury Division, gave a presentation on the 2022 National Survey on Cash Use and Preferences (ENUPE), in the framework of the 2023 Journalist Training Seminar. The in-person workshop, which was organized in conjunction with the Economics and Finance Journalist Association of Chile (AIPEF), was "on the record" and was attended by 15 journalists.

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July



- **Reunión de Política Monetaria (RPM) (viernes 28) y publicación del comunicado**

Por unanimidad del Consejo, se acordó reducir la tasa de interés de política monetaria en 100 puntos base, hasta 10,25%. El comunicado correspondiente se publicó a las 18 horas de ese día en el sitio web; se envió a los medios de comunicación y se publicó en redes sociales.

- **Awareness campaign on the shortage of 1,000 and 2,000 peso bills**

We carried out a communications campaign on the National Cash Use and Preferences Survey (ENUPE), highlighting the shortage of 1,000 and 2,000 peso bills in circulation. The campaign featured spokespersons in the media and was widely broadcast on television, radio, and online media.

- **Public consultation on regulation of means of payment**

We opened a public consultation on a set of improvements to the existing regulations on the operation of payment cards and the issuance of prepaid debit cards.

- **IMF High-Level Panel**

The International Monetary Fund's Executive Board appointed a high-level panel to undertake an external evaluation of the multilateral organization's Independent Evaluation Office (IEO). The panel is chaired by Pablo García, Deputy Governor of the Central Bank of Chile, and includes Zhongxia Jin, Director-General of the International Department of the People's Bank of China, and Daouda Sembene, founder and CEO of AfriCatalyst, a global development advisory based in Senegal.

August



- **Publication of the Second Payment Systems Report**

This report describes recent trends in the use of payment means and financial market infrastructures, as well as their development and the policies that govern them. The report was the focus of a seminar organized by the Bank and attended by representatives of the financial industry, local authorities, and international experts.

- **Proposal on bond securitization**

We opened a public consultation on a proposal that promotes bond securitization by expanding the possibilities for banks to sell or buy portfolios from securitization companies (which transform loans into bonds). This would increase funding facilities and improve banks' liquidity risk management.

- **Journalist workshops**

This month, two workshops were organized in conjunction with the Economics and Finance Journalist Association of Chile (AIPEF), in the framework of the 2023 Journalist Training Seminar: "Experimental Statistics in the Central Bank of Chile," led by Josué Pérez, Senior Advisor, Macroeconomic Statistics Division; and a presentation on the 2023 Payment Systems Report, by Gabriel Aparici, Financial Infrastructure and Regulation Manager.

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September



• Monetary Policy Meeting (MPM) (Tuesday, 5th) and press release

Por unanimidad del Consejo, se acordó reducir la tasa de interés de política monetaria en 75 puntos base, hasta 9,5%. El comunicado correspondiente se publicó a las 18 horas de ese día en el sitio web; se envió a los medios de comunicación y se publicó en redes sociales.

• Publication and dissemination of the September IPoM

The third Monetary Policy Report (IPoM) of the year was published on the website on 6 September, followed by wide dissemination, starting with a presentation by the Governor and Board Members to the Full Senate. Subsequently, a press conference was held and broadcast via streaming, and in the following days the Report was presented by the Governor and Board Members at seminars held in various regions of the country and in press interviews. The main contents of the Report were also disseminated in press releases, infographics on the website, and social media messages.

• Fifth Statistics Conference: “Information to Decipher the Future”

We held our fifth Statistics Conference with the support of Paul Schreyer, Chief Statistician and Director of Statistics at the OECD. The conference focused on three main topics: strong legal backing; common standards and interoperability of the national statistical system; and investment to leverage new sources and tools to enter new areas.

October



• Monetary Policy Meeting (MPM) (Thursday, 26th) and press release

In a unanimous decision, the Board voted to reduce the monetary policy rate (MPR) by 50 basis points, to 9%. The corresponding press release was published on the website at 6:00 PM the same day and also sent to the traditional media and uploaded to and social media.

• Beltrán de Ramón Acevedo resigns from the Central Bank

After 18 years in various roles within the Central Bank, Beltrán de Ramón was appointed by the President of the Republic to serve as a Commissioner at the Financial Market Commission; the appointment was approved by a majority of the Senate.

• Suspension of the international reserve expansion program

In total, this program accumulated international reserves of USD 3.68 billion between 13 June and 26 October 2023 and reduced the Bank's short (sell) position in non-delivery forwards (NDFs) by USD 6.434 billion between 24 April and 26 October 2023. Both programs recovered capacity of USD 10.114 billion, equivalent to 53% of the total amounts initially budgeted and 66% of the resources used during the 2022 foreign exchange intervention.

• Public consultation on modernizing the management of Formal Exchange Market information

We opened a public consultation on a proposal to systematize and update the foreign exchange information reported by entities that

operate in the Formal Exchange Market. The Bank is developing a new technological system for receiving information on foreign exchange operations.

- **III International Financial Education Seminar**

The third version of the International Financial Education Seminar was aimed at promoting financial inclusion and education initiatives based on the prospects of digitizing the financial system and linking it with priority literacy sectors, especially young people.

November



- **Financial Policy Meeting (FPM) and press release**

At the FPM held on 7 November, the Board of the Central Bank voted unanimously to maintain the countercyclical capital requirement at a level of 0.5% of risk-weighted assets, which will enter into force in May 2024. The respective communication was published at 6:00 PM on the institutional website and also sent to the traditional media and uploaded to the Bank's social media accounts.

- **Publication of the FSR for the second half of 2023**

The Financial Stability Report was published on 8 November on the institutional website, and the Governor presented the report to the Senate Finance Committee. Dissemination activities included a press conference, a press release, infographics, and social media messages. Subsequently, the report was presented in seminars held throughout the country.

- **Twenty-sixth Annual Central Bank Conference**

The conference addressed the implications of climate change and the degradation of ecosystem services for macroeconomic and financial stability. Participants included academics and researchers from internationally renowned universities and representatives of multilateral organizations and central banks, as well as members of the Bank's Board, led by our Governor, and staff members. Around 120 people attended in person, and 700 connected remotely.

- **Journalist workshop on the new Report on the Derivatives Market in Chile**

On Thursday, 23 November, we organized an online background workshop for journalists on the launch of the new "Report on the Derivatives Market in Chile." The workshop was led by José Miguel Villena, Head of Financial Market Infrastructure, and Ignacio Benavides, analyst for the Chilean Integrated Derivatives Information System (IDIS-TR).

- **Journalist workshop by Francisco Ruiz, Macroeconomic Statistics Manager**

On Tuesday, 28 November, the workshop "Regional Statistics of the Central Bank of Chile" was led by Francisco Ruiz, the Central Bank's Macroeconomic Statistics Manager, in the framework of the 2022 Journalist Training Seminar organized in conjunction with the Economics and Finance Journalist Association of Chile (AIPEF). The online workshop was "off the record" (with background objectives) and was attended by 9 participants

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December



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• **Monetary Policy Meeting (MPM) (Tuesday, 19th) and press release**

In a unanimous decision, the Board voted to reduce the monetary policy rate (MPR) by 75 basis points, to 8.25%. The corresponding press release was published on the website at 6:00 PM the same day and also sent to the traditional media and uploaded to and social media.

2

• **Publication and dissemination of the December IPoM**

The fourth and final Monetary Policy Report (IPoM) of the year was published on the website on 20 December, followed by wide dissemination, starting with a presentation by the Governor and Board Members to the Senate Finance Committee. Subsequently, a press conference was broadcast via streaming, and in the following days the Report was presented by the Governor and Board Members at seminars held in various regions of the country and in press interviews. The main contents of the Report were also disseminated in press releases, infographics on the website, and social media messages.

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• **Appointment of the new General Manager of the Central Bank**

The Board appointed Luis Óscar Herrera to the position of General Manager, effective 4 March 2024. At the time of his appointment, Herrera was an Executive Director of the International Monetary Fund. His professional career has been strongly linked to the Bank, where he previously served as Director of the Financial Policy Division and the Monetary Policy Division, among other positions.

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

Students from the Isaac Newton School in San Bernardo and the San Ignacio School in Providencia were this year's winners of the nineteenth version of the "Economics Up Close" contest, organized annually by the Central Bank of Chile. The Governor of the Central Bank, Rosanna Costa, led the awards ceremony, which was held in the historical Central Bank building and was broadcast on our YouTube channel.

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• **Awareness campaign on the security features of Chilean banknotes**

Because the year-end holidays imply a significant increase in commercial transactions and the use of cash, which increases the opportunity for the circulation of counterfeit bills, we developed a campaign with the Cash Cycle Department of the Central Bank's Treasury Department to provide tips for recognizing banknotes and preventing fraud and scams. The plan included the definition of communication channels, spokespersons, priority topics, and dissemination in social networks. In total, 23 articles were published on TV channels and online media.

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• **Journalist workshop led by Pablo García, Deputy Governor of the Central Bank**

On Monday, 11 December, Pablo García, Deputy Governor of the Central Bank, led a workshop on "Monetary Policy in a Challenging Environment," organized in the framework of the 2022 Journalist Training Seminar in conjunction with the Economics and Finance Journalist Association of Chile (AIPEF). The in-person workshop was "off the record" (with background objectives) and was attended by 18 participants.

11

5. The Year in Numbers

CBC 12

Mandate 	3,9% inflation in December 2023		3% inflation target	
People 	755 direct employees	295 external employees	79% hybrid work	75 puntos Values and Integrity Barometer
Results 	US\$ 46.179,44 billion CBC debt at market value		US \$46.353,1 billion international reserves at market value	
Cash management 	184 millones new banknotes delivered to the market	132 millones new coins supplied	US\$ 32.703,4 billion for the total FCIC	US\$ 2.676 billion sale of currency forwards
Social and environmental management 	293,9 tons of banknotes recycled		201.289 visits to our website Central en tu Vida	324.351 visits to our website Billetesymonedas.cl

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2. The Central Bank of Chile



- Mandate and Laws
- Material Topic: Policies and Regulation
- The Bank's Work
- Value Creation Model
- Financial Assistance
- 2023–2027 Strategic Plan
- Sustainability

Mandate and Laws

GRI 3-3; CBC 1

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Key numbers

Management approach

At the CBC, we are firmly committed to complying with our mandate and all the laws that govern us.

Policies and regulations

- The Constitution of Chile (Chapters I and XIII).
- Basic Constitutional Act (BCA) (First Article of Law N° 18,840).
- Law N° 20,880 on Probity in Public Administration and the Prevention of Conflicts of Interest.
- Transparency Law (Law N° 20,285).
- Ley 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 Basic Constitutional Act.

Key numbers

- 3.9% inflation at year-end
- 98-year history
- 1st year of execution of the 2023–2027 Strategic Plan.

Structure

The General Counsel and the Comptroller and Auditor General are responsible for verifying compliance with our mandate.

Milestones in the year

- 3.9% inflation in December 2023
- Reduction of the monetary policy rate from 11.25 to 8.25%
- Revision of Law N°21,641 on financial system resilience.
- Changes in the exchange regulations in the Compendium of Foreign Exchange Regulations.
- Amendments to the Operating Regulations for the Payment Systems.
- Activation of the Countercyclical capital requirement † 0.5% of risk-weighted assets.

Future challenges

Continue working to ensure the fulfillment of the Bank's mission.

We are the Central Bank of Chile, an autonomous technical institution governed by a Basic Constitutional Act. Our objectives are to safeguard the stability of the currency, that is, to keep the inflation rate low and stable over time, and to safeguard the stability and efficient operation of the financial system, thereby guaranteeing the normal functioning of internal and external payments.

This allows us to create a predictable environment for economic agents (individuals, companies, and institutions) to make their consumption and investment decisions, which contributes to smoothing economic cycles and laying the foundations for sustained growth in Chile. To fulfill our mission, the Bank has the power to regulate the amount of money and credit in the economy, so as to ensure that there are sufficient quantities for these agents to carry out their daily transactions.

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To learn more about the CBC's functions, [click here](#)



The Bank's Work

The organizational structure of the CBC comprises eight divisions that are fundamental for fulfilling our constitutional mandate.

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DIVISIÓN DE POLÍTICA MONETARIA

Provides macroeconomic analysis to the Board and other areas of the Bank, including assessing the Chilean economy and global trends, reviewing monetary policies, and conducting relevant research focused on the impact on Chile.

FINANCIAL POLICY DIVISION

Advises the Board in the supervision and analysis of the financial system, assessing risks and participating in the creation of policies and regulations. Collaborates with national and international entities to promote a safe and efficient Chilean financial system and capital markets.

FINANCIAL MARKETS DIVISION

Executes the Bank's monetary and financial policy, oversees the financial markets, manages international reserves and payment systems, and acts as Fiscal Agent in the placement of debt and the administration of sovereign wealth funds.

STATISTICS DIVISION

Collects and publishes essential macroeconomic statistics, such as the IMACEC and the National Accounts and Balance of Payments, and conducts statistical studies in accordance with high international standards

ADMINISTRATION AND TECHNOLOGY DIVISION

Responsible for strategic planning and management control and provides administrative and technological support services, including accounting, projects, purchasing, and cybersecurity.

INSTITUTIONAL AFFAIRS DIVISION

Develops and manages the Bank's internal and external communication strategies, in order to improve the Bank's understanding of its activities and strengthen its strategic position, while facilitating relations with the institution's various stakeholder groups.

OPERATIONS DIVISION

Ensures the integrity and availability of physical means of payment, manages the Bank's security, and promotes sustainable management of its facilities and operations with an environmental focus.

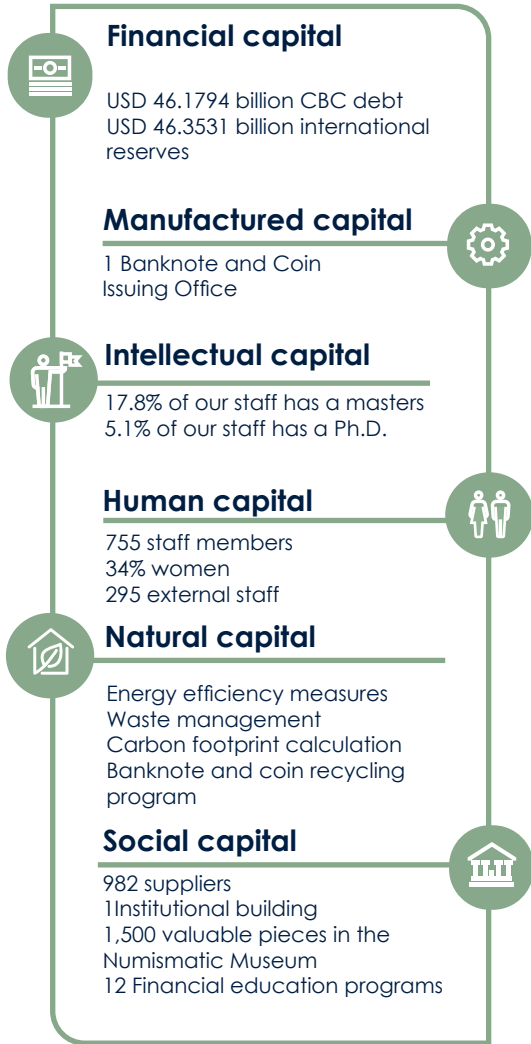
CORPORATE RISK DIVISION

Responsible for the Bank's comprehensive risk management, ensuring consistent and efficient risk governance, reviewing risk policies and strategies, and promoting proactive risk management in the organization.

Value Creation Model

GRI 2-6

INPUTS



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

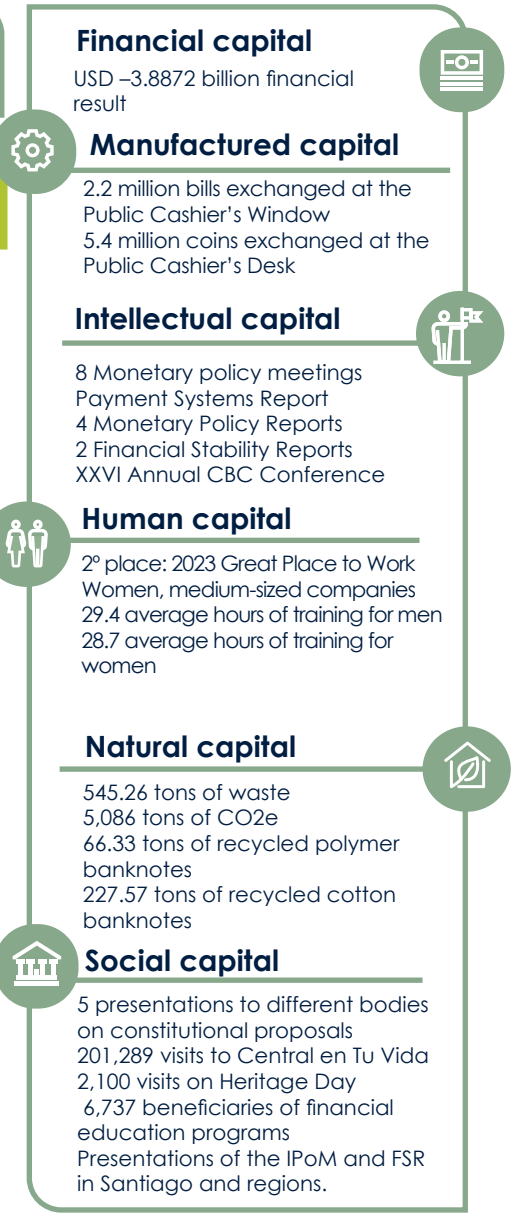
Vision:
To be a trustworthy technical institution, with standards of excellence in fulfilling its mandate and achieving its objectives

FUNCTIONS



4 PROPERTIES

OUTPUTS



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Financial Assistance

GRI 201-4

The Central Bank of Chile is self-financed and does not depend on funding deriving from the National Budget Law. Our budget is established annually by our Board and is based on the Central Bank of Chile's Basic Constitutional Act (Law N°18.840). Our resources stem from services provided to financial institutions, income from financial operations, international reserve investments, and the seigniorage associated with our monetary issuance function, that is, the difference between what a banknote or coin is worth and what it costs to produce it.

2023–2027 Strategic Plan

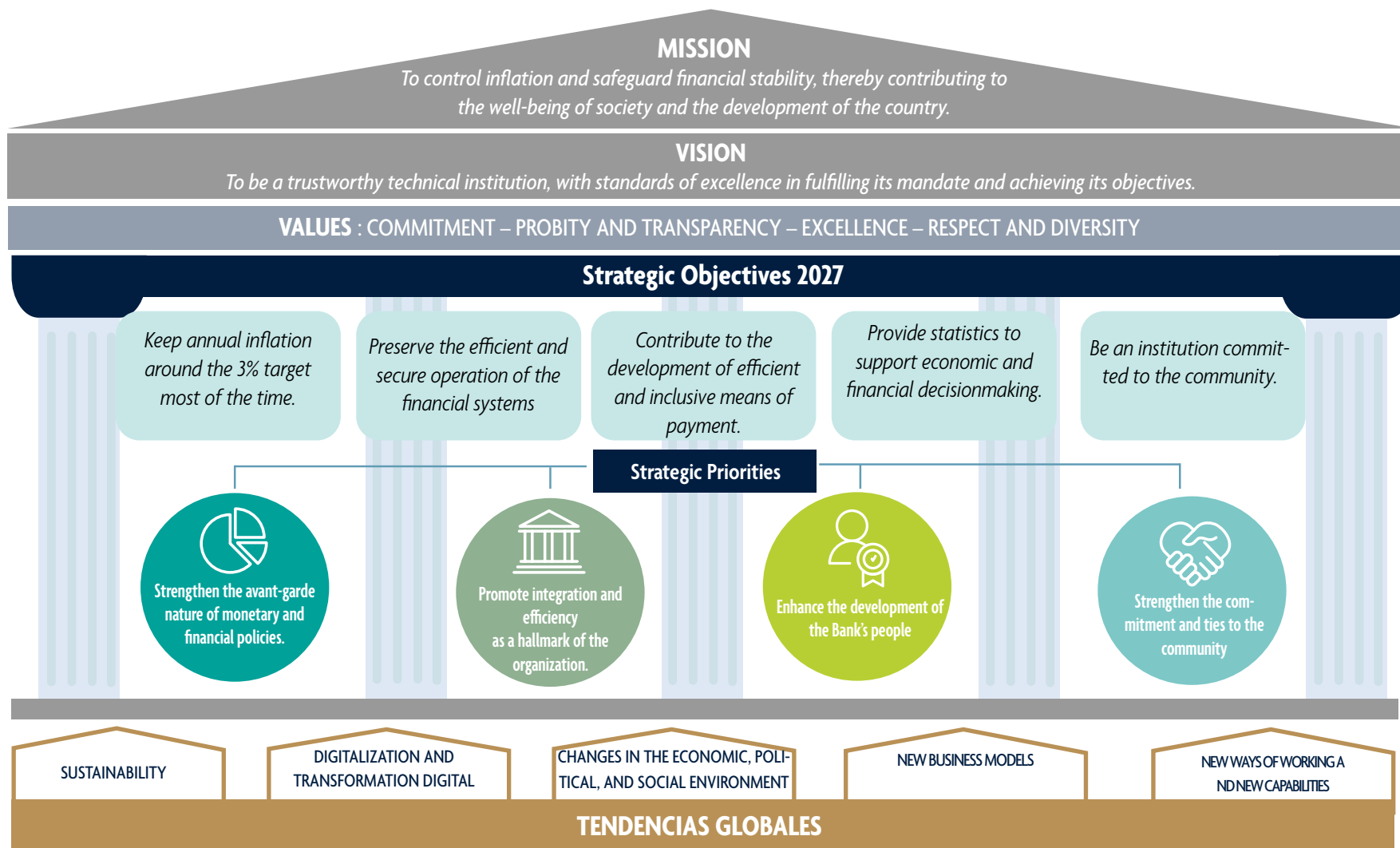
In 2023 we began to implement the 2023-2027 Strategic Plan, called Our Mandate, Our Commitment. The plan was developed the previous year in a process involving broad participation by those who make up our organization and also by external stakeholders, especially from the regions.

The Plan involved a review and update of our mission and institutional values, which emphasize the commitment of our staff to Chile and its citizens; the pursuit of excellence in a collaborative environment; the importance of probity and transparency in daily operations; and an inclusive and broad approach to respect.

This management tool, which was introduced in 2004, allows each new Governor to develop a roadmap that builds on all the progress made in the previous period in order to plan the following period, while quickly and adequately adapting to changes in the environment. The Plan commits to fulfilling the constitutional mandate of keeping inflation low and stable, thus taking on the challenge of bringing it to the 3% target in the wake of the biggest spike since the early 1990s.

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The 2023-2027 Strategic Plan is published on the institutional website and is summarized in the following table:



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To achieve the five strategic objectives of the Plan, four strategic priorities have been defined. Each priority has a specific objective and associated initiatives.

Strategic Priority	Objective	Initiative
1. Strengthen the avant-garde nature of monetary and financial policies	Enhance analytical capacity for decisionmaking, focusing on the interaction between policy and the use of unconventional tools	<ol style="list-style-type: none"> 1. Strengthen the policy framework 2. Increase the inclusion of Big Data 3. Promote the development of payment systems
2. Promote integration and efficiency as a hallmark of the organization	Adapt the organizational model to develop an institution that works collaboratively in search of greater efficiency.	<ol style="list-style-type: none"> 1. Promote work with a corporate vision and creative spirit 2. Promote the decentralization of management 3. Promote data use and analysis in all the Bank's work
3. Enhance the development of the Bank's people	Attract and develop talent in a planned and sustainable manner, promoting adaptive development in the organization.	<ol style="list-style-type: none"> 1. Attract, develop, and inspire talented people 2. Promote adaptive capacity in people
4. Strengthen the commitment and ties to the community	Maintain the Bank's position as a valued and trusted institution, which builds closer ties to the community.	<ol style="list-style-type: none"> 1. Incorporate the concept of sustainability in all aspects of our work 2. Make institutional communications more effective 3. Share the Bank's work with the community

In 2023, we made progress on several fronts of the Strategic Plan, which are detailed in the following chapters of this Report.

Sustainability

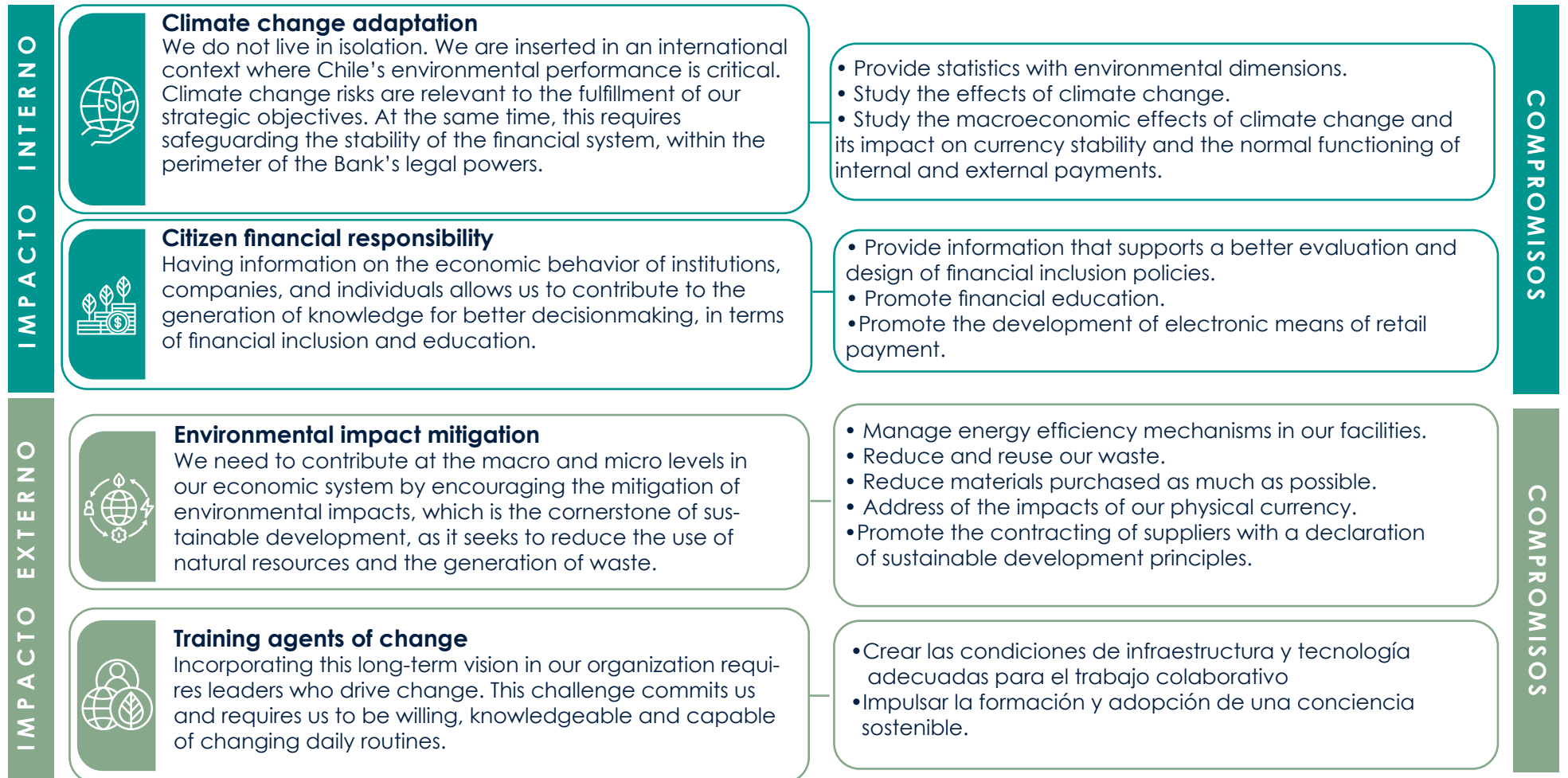
Sustainability Policy

GRI 2-23, 2-24

Since 2020, we have a Sustainability Policy that establishes two main objectives:

1. To provide relevant information for making economic and financial decisions that have a social and environmental impact.
2. To install a culture of sustainability in the Bank.

The policy includes four key action areas and management initiatives:



In 2023, we underwent a process to update the Sustainability Policy, taking into account the changes in the organization's context and environment, as well as the best practices of other central banks globally. This update will be submitted for validation and internal ratification in 2024.

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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 topics.



Adaptation to social and environmental variables



- Monetary Policy Division
- Financial Policy Division
- Statistics and Data Division

Citizen financial responsibility



- Institutional Affairs Division
- Financial Policy Division
- Operations Division

Environmental impact mitigation



- Operations Division

Agents of change



- Personnel Area

Sustainability work

Since March 2023, the Bank has a working group made up of members from different divisions and areas of the organization. The purpose of this team is to unify criteria and disseminate sustainability within the Bank, as well as to propose future actions, taking into account the different dimensions and associated issues.

In 2023 we held four sessions with the team, in which we analyzed best practices in sustainability in other central banks, reviewed our policy, and discussed our action plan for the coming years, guided by our strategic planning.

3. Governance



- The Central Bank of Chile
- Senior Management
- Advisory Committees
- Risk Management
- Ethics and Transparency
- Information Security and Operating System Resilience

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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.

The Board of the Central Bank of Chile

Nomination and selection

GRI 2-10

Our Board is made up of five people, who are appointed by the President of Chile via Executive Decree and approved by the Senate.

5 years



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

10 years



Term of office for Board Members

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.

The President of Chile has the authority to designate the person who will serve as Governor of the Central Bank for a period of five years. The nominee must be a member of the Board.

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Board Members¹

GRI 2-9, 2-11, 405-1, CBC 5



Rosanna Costa Governor

Ms. Costa 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 and research positions.

Date of appointment: February 2022. She joined the Board in January 2017 in replacement of Rodrigo Vergara through 2018, and in December 2018 she was confirmed to a new ten-year term as Board Member.

¹ Pablo García left the Bank and the Deputy Governorship in January 2024, after completing his ten-year term as Board Member.



Stephany Griffith-Jones
Deputy Governor

Ms. Griffith-Jones holds a Ph.D. in Economics from Cambridge University. Professor and researcher in international finance, she 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.

Date of appointment:
may 2022.



Alberto Naudon
Member

Mr. Naudon 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.

Date of appointment:
March 2018.



Luis Felipe Céspedes
Member

Mr. Céspedes 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, at national and international organizations. He is also a university professor.

Date of appointment:
February 2022.



Claudio Soto
Member

Mr. Soto holds a Bachelor of Business Administration and a Master of Economics from the University of Chile and a Ph.D. in Economics from New York University. After serving in various positions with the Central Bank and the Finance Ministry, he was the Public Policy and Research Director of Banco Santander Chile until being appointed to the Central Bank Board.

Date of appointment:
January 2024.

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Functions and responsibilities

The Board has the following functions and responsibilities:



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.



The person who acts as Governor is responsible for the extrajudicial representation of the Bank and conducts the Bank's relations with public authorities, financial institutions, and international organizations. The Governor also collaborates and coordinates with the Finance Ministry, while always respecting the institution's autonomy.

Code of Conduct

Since 2022, the Board has a Code of Conduct that establishes rules, obligations, and prohibitions to which its members must adhere in the performance of their duties, beyond the minimum established by current legislation and in accordance with the commitment to apply the highest standards of integrity in the fulfillment of our mandate.

The Code incorporates the following standards:

- Regulation of blackout periods
- Unregulated personal investments
- Hiring of consultants and secretaries.
- Periodic declarations of drugs, gifts and presents.
- Conflicts of interest.
- Meetings and interactions with stakeholders.
- Political independence
- Procedures for whistle-blower investigations and sanctions.

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Board Rules and Regulations

Additionally, the Board is governed by the [Board Rules and Regulation](#), which establish the general and specific operating rules in relation to ordinary, extraordinary, and special meetings, as well as Monetary Policy and Financial Policy meetings.

What is the relationship between the CBC and the Finance Ministry?

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. The Minister can also 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.

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.

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Remuneration

GRI 2-19, 2-20

Board compensation is set by the President of Chile, via an [Executive Decree from the Finance Ministry](#), based on a proposal by a commission made up of former Central Bank governors or deputy governors, who are appointed by the President.

This compensation-setting process guarantees fair compensation in accordance with the responsibilities and experience required for Board Members, taking as a reference the salary practices in the private banking sector.

In 2023, Board remunerations were the same as in the previous year.

BOARD COMPENSATION (CLP)

Position	Gross monthly remuneration	Additional compensation for responsibility and exclusivity	Total gross remuneration	Total net remuneration
2023				
Governor	CLP 9,946,619	CLP 7,957,288	CLP 17,903,898	CLP 12,439,683
Deputy Governor	CLP 9,946,619	CLP 5,967,966	CLP 15,914,576	CLP 11,242,373
Members	CLP 9,946,619	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 and its Board are not subject to a formal evaluation system. However, because we are committed to transparency and continuous improvement, we regularly commission evaluations by independent international experts, who are authorities and members of other central banks and international organizations. This process is part of our effort to identify areas for improvement and maintain a high standard of performance in our operations.

No external evaluations were carried out in 2023.

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

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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, the Comptroller and Auditor General, and the 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 20 areas, for specialized management.

Members and functions



GENERAL MANAGEMENT²

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.



Luis Óscar Herrera
General Manager

Since March 2024

Mr. Herrera first joined the Bank in 1995, in the Macroeconomic Programming Division. In 2000, he was in charge of coordinating the first Monetary Policy Report (IPoM) and implementing the Financial Policy Division. He has worked in the private sector and in public service, namely, with the Finance Ministry.

² Through 29 October 2023, the position of General Manager was held by Beltrán de Ramón, who was appointed Commissioner at the Financial Market Commission . From 30 October 2023 to 3 March 2024, Juan Pablo Araya served as Interim General Manager.

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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.



Juan Pablo Araya
General Counsel
Since June 2011.

Mr. Araya joined the Bank in 2004, serving as a senior attorney in the Office of the General Counsel for eight years. He also served as 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 Sociedad Interbancaria de Depósito de Valores S.A



COMPTROLLER AND AUDITOR GENERAL

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



Silvia Quintard
Comptroller and Auditor General

Since January 2007

Ms. Quintard 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).

Based on guidelines from the Board, this team carries out the management of the institution and, therefore, is responsible for our organization's impact on the economy, the environment, and people. They also lead the sustainability and financial reporting process through the publication of the Integrated Annual Report.

Division Directors

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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 and Data Division
Since June 2015

DIEGO BALLIVIÁN
Corporate Risk Division
Since March 2021

RICARDO CONSIGLIO
Financial Markets Division
Since July 2023



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Remuneration of Senior Management

GRI 2-19, 2-20

The remunerations of our General Manager, General Counsel, and Comptroller and Auditor General are at the NE level of the compensation structure, as they are positions established in Articles 24 to 26 of the BCA.

Gross salary in 2023³

Position	Gross monthly salary
General Manager	CLP 20,710,642
General Counsel	CLP 20,580,122
Comptroller and Auditor General	CLP 20,431,148

Additionally, through Board Resolution N°2528-01-230105 of 05 January 2023, the Board defined a salary structure for the Division Directors, General Manager, General Counsel, and Comptroller and Auditor General ranging from CLP 15,859,970 to CLP 23,789,956, effective 01 January 2023.

³ The General Manager's gross salary comprises the period from January to October 2023, as the gross salary of interim positions is not included.

Advisory Committees

Our Board has two advisory committees to provide an expert independent external perspective:

Audit and Compliance Committee (ACC)

The main responsibility of the ACC is to advise the Board on compliance with the institutional objectives in relation to corporate governance. Its primary functions are

Report on the efficacy of the Bank's internal control systems and procedures.

Analyze the equity and reputational effects associated with compliance with the Bank's obligations

Review the Annual Audit Plan and propose external auditors.

The ACC has three members:



RAMIRO MENDOZA
Chair
Since 2020



RICARDO BUDINICH
Since 2018



ALEJANDRO ZURBUCHEN
Since 2023

Note: Current structure as of December 2023

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Information and Technology Committee (ITC)

The ITC supports the Board and the General Manager on the corporate governance of information technology (IT). Its primary functions are:

Define guidelines for IT strategic planning.

Validate new technology initiatives and anticipate the associated risks.

Analyze the costs and benefits of IT initiatives.



ROMINA TORRES
Chair
Since 2023



GONZALO ACUÑA
Since 2018



JOSÉ BENGURÍA
Since 2019

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Risk Management

The effective discharge of our 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.

The Policy establishes the necessary risk management system for the identification, measurement, evaluation, monitoring, and control of the risks, seeking an appropriate balance between efficiency and risk tolerance, taking into account the nature of the Bank's activities, and strengthening corporate governance.

Specifically, the Bank's Integrated Risk Management has the following objectives:

1. Promote an integrated risk management culture within the organization, encouraging preventive, proactive, and balanced risk management.

2. Provide the means to establish a continuous improvement process for the Integrated Risk Management System, ensuring the implementation of best practices and standards and performing periodic evaluations of all risk areas, through the application of a corporate management model that allows effective communication with the entire organization.

3. Strengthen the implementation of the three lines of defense model, in particular with regard to the functions of the second line, establishing a standard Risk Governance for the entire Bank through the corporate risk management model, which establishes a common language and criteria and clearly defines the responsibilities, roles, and adequate management tools for an effective risk management process in each Division and Area.

4. Ensure the necessary resources for an adequate management of corporate risks.

The Corporate Risk Division is responsible for supporting the Bank in strategic financial and nonfinancial risk management. This includes the use of identification and analysis methods, as well as the monitoring and evaluation of risk mitigation processes.

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Three Lines of Defense Model

To manage the Central Bank's risks, we use a three lines of defense model, which helps to clarify the processes and prevent duplication, overlap, and inefficiencies in risk management:



Institutional Risk Matrix

The CBC has an Institutional Risk Matrix that defines the risk identification processes and integrates the results of its periodic application. Due to the strategic implications, the matrix is confidential and is only used internally by the institution.

ESG risks

CBC 21; 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 risks are directly linked to operations, legal compliance, digital technology, and the performance of the Bank's strategic functions that affect Chilean society. As in past years, in 2023 ESG risks were identified and weighted according to the guidelines established in the ISO 31000 international standard for risk management systems.

The main ESG risks identified in 2023 were:

Environmental



- Climate change and its impact on finance and statistics.
- Waste management.

Social



- Working conditions and safety of Central Bank employees.
- Third-party risks and undesired impacts in the value chain,

Governance

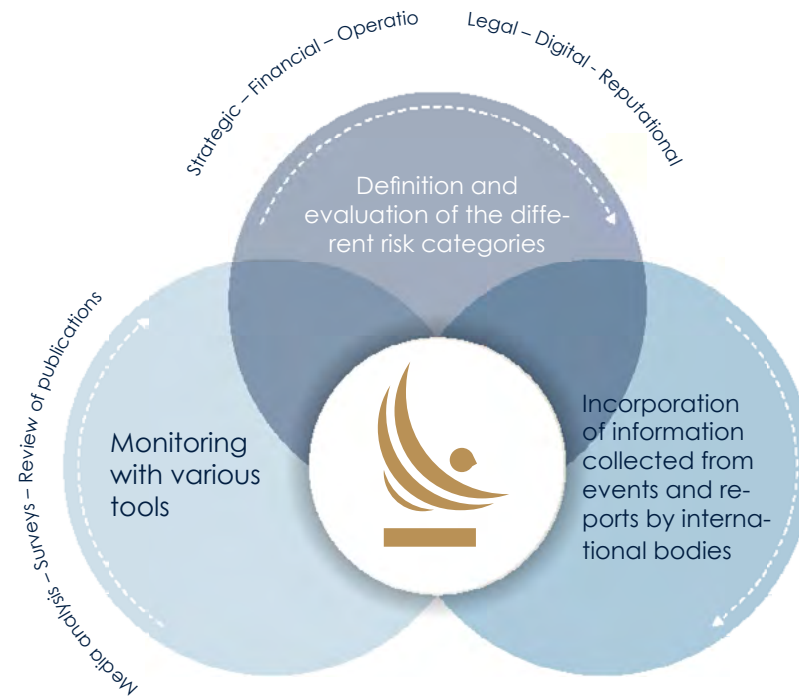


- Illegal or unethical behavior.
- Lack of transparency.

Emerging risks CBC 22

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

Emerging risk management process





The emerging risks identified in 2023 are related to:

- **Cybersecurity**
- **Climate change**
- **Talent**
- **New technologies**
- **Geopolitics**

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International collaboration

In conjunction with the Center for Latin American Monetary Studies (CEMLA), we organized the IV Meeting of Heads of Financial Risk Management in Central Banks. The event, which was attended by representatives of 14 countries and two multilateral organizations, was focused on:

- How central banks define their objectives, constraints, and risk tolerance criteria when managing a strategic asset allocation framework.
- How portfolio optimization methods can incorporate risk management considerations.
- What are the guiding rules and organizational aspects of strategic asset allocation in the risk management framework.

Approximately 30 work teams participated in the meeting, including:

- Central banks.
- Banking supervision entities.
- Multilateral organizations in the region.



Risk management milestones

In 2023, we developed several initiatives aimed at strengthening the financial risk control environment in our institution, including the following:



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Ethics and Transparency

GRI 3-3, CBC 20

MATERIAL TOPIC: ETHICS AND TRANSPARENCY

Management approach

Through our institutional culture, we promote compliance with the law and ethical behavior in all areas of our institution. This means that we are permanently vigilant and rigorously monitor any critical situations.

Governance

These responsibilities are carried out primarily through the Ethics and Conduct Committee, the Office of the General Counsel, and the Compliance Officer.

Policies and regulations

- Basic Constitutional Act N°18,840.
- Law N° 20,285 on access to public information.
- Law N° 20,730 on lobbying and the management of special interests.
- Law N° 20,880 on probity in public administration.
- The CBC Transparency Policy.
- Communication Policy.
- Internal Regulations, Rules and Procedures.

Milestones in the year

- Launch of the Central Code.
- Updating of the conflicts of interest list.
- Strengthening of the ethics and prevention culture.

Key numbers

- 14 training sessions on ethics and conduct.
- 4,647 public inquiries received and handled on Central Contact.
- 135 requests under the Transparency Law.
- 196 meetings under the Lobbying Law.

Future challenges

- Keep the Bank's ethics management tools up to date in view of cultural and organizational changes.
- Continue strengthening collaboration and interaction among the different areas of the Bank to prevent ethical conflicts.

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Principles and values

Beyond the legal framework by which we are governed, we strive to ensure that our internal culture reflects our aspiration that all those who work at the Bank give their best to achieve our objectives and aspirations, for the benefit of the country.

On joining the institution, all our personnel must recognize, learn, and apply our values:

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 new scenarios.

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.

The induction process 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.

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Values barometer

CBC 18

Our values set the tone for everything we do. In 2023, 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, the presence of ethical principles, Senior Management's commitment to integrity, knowledge of the crime prevention tools, and other important topics, considering our institution's role in society.

This year, 65% of our staff responded to the survey. According to the results, we made the following progress relative to 2022:

- 5 percentage point increase on the organization's general communication.
- 11 percentage point increase on justice and equality.
- 14 percentage point increase on the Board's communication.

Additionally, some of the survey results have implications for our organization's Strategic Planning:

- 8 point increase on respect for family life.
- 7 point increase on teamwork.
- 6 point increase on creativity and innovation.

74%



of the Bank's survey respondents would fully recommend the CBC as a place to work.

97%



of the survey respondents identify with the Bank's values.

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Code of Ethics and Conduct: Central Code

In December 2023 we launched our new Code of Ethics and Conduct. This document represents our commitment to the values that guide us in the performance of our work, as well as the value we place on all the people who work in our institution.

Main features of the Central Code:

1. Compiles the main internal rules on ethics and conduct and simplifies access to them.
2. Organizes the content into four thematic chapters that are easy to read.
3. Provides examples for a better understanding of the content.
4. Indicates how and to whom to address any questions and doubts.

Additionally, we developed five mini-videos that provide information about the content and each chapter in particular, which were disseminated to Central Bank staff during the period.



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Transparency Policy

Our Policy, published in 2021, 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.

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

Ethics and Conduct Committee

The Committee's objective is to advise the Board on:

1

Promote and safeguard the observance of the Standard of Conduct, Probity, and Values, and the Personnel Regulations by all Bank staff.

2

Propose changes to improve internal regulations on employee conduct, probity, and institutional values.

3

Recommend dissemination plans on ethical culture and compliance with established standards.

We have two regulations that aim to guide and safeguard ethics in our organization:



Code of Conduct, Probity, and Values

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

Personnel Regulations

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

Members

In 2023 the Committee had the following members:



General Counsel



Comptroller and Auditor General



Corporate Risk Division Director



Personnel Director (i)

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Conflicts of interest

GRI 2-15

[Law N° 20,880 on probity in public administration and the prevention of conflicts of interest](#) regulates the obligation of the authorities and certain officers to declare their interests and assets publicly. In our institution, this obligation is applicable to the Board Members and the General Manager. These declarations must be made as follows:

- Prior to assuming the position.
- In the mandatory annual update.
- In voluntary updates.
- Within 30 days of leaving the position.

Therefore, in March 2023 we updated our regulations on conflicts of interest and declarations of interest and assets, and we established a new conflicts and prohibitions affidavit for managers. We also instituted new standards for consultations on potential conflicts of interest and prohibitions in the Bank's management hiring process.

Reporting channels

GRI 2-16, 2-26

SASB FN-AC-510A.1

In the event of complaints on ethical matters, we have reporting channels for the Bank's employees and suppliers. All the channels ensure the confidentiality of the person providing the information and establish verification procedures. Additionally, the Ethics Committee, the person in charge of the reporting channel, all managers, and the Personnel Area are always available to receive concerns or requests on ethical issues affecting Bank staff members.

The main reporting mechanisms are as follows:



For Bank personnel

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



For suppliers

- Reporting channel accessible through the Bank's website

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Central Contact

Our communications channel available for receiving suggestions, inquiries, compliments, and complaints from the general public.

Transparency Law

Our platform for receiving and handling requests for access to information submitted in the framework of the Transparency Law.

Ethics and transparency management indicators	2022	2023
Inquiries submitted and handled via Central Contact	4,002	4,647
Average number of days to respond to requests in the framework of the Transparency Law	8	10
Number of requests for information submitted under the Transparency Law	106	135
Meetings governed by the Lobbying Law	125	196

ETHICS TRAINING

GRI 205-2

Our ethics management is based on several documents and a training plan that seeks to disseminate guidelines and orientations for all levels of our organization. All documents that safeguard ethics and legal compliance are socialized, first in our inductions and then through training workshops and talks with an informative and preventive focus.

In 2023, the management focus in this area was on strengthening the collaborative ethical culture in our organization, in order to simplify communications so that our people understand the messages more closely and vividly.

In 2023, we held 14 in-person and remote training sessions on topics related to ethics and compliance. Various divisions and areas within our organization participated in the sessions:

- Economic Research
- International Analysis
- Macroeconomic Analysis
- Monetary Policy Strategy and Communication
- Financial Stability
- Treasury
- Security
- Market Operations
- Accounting and Planning Management

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As in the previous year, in 2023, in accordance with our voluntary disclosure policy, the Central Bank Board published the full record of [Monetary Policy Meetings](#)⁴ and Board Meetings from 1990 to 1995, in accordance with the defined disclosure schedule. 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.

Digital dissemination tools

Our stakeholders can access a variety of informative content through our [website](#).

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.

Lobbying Law

This section contains all the updated information on the records maintained pursuant to Law N°20.730, which regulates lobbying and the management of special interests.

Declarations of Interests

This section contains information on the interests and assets of the Board Members and General Manager.

Good Practices

This section contains the Board Members' weekly schedule of meetings and public activities, the full record of Monetary Policy Meetings,⁴ and the digital repository of historical records of the Central Bank Board.

⁴ By strategic definition, the CBC publishes the full record of the Monetary Policy Meetings with a ten-year lag.

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Information Security and Operating System Resilience

GRI 3-3

MATERIAL THEME: INFORMATION SECURITY, CYBERSECURITY AND SYSTEMS RESILIENCE

Management approach

This issue is a top priority for our organization. We endeavor to establish internal order through the Information Security, Risk, and Business Continuity Management System, with a focus on operational continuity, anticipation of contingencies, and incident response and recovery.

Policies and regulations

- Cybersecurity Strategy.
- Information Security, Risk, and Business Continuity Management System.
- Integrated Security Policy.
- Integrated Risk Management Policy.
- Business Continuity Policy.
- Cybersecurity Framework Law.

Key numbers

- 3 training sessions dedicated to cybersecurity.
- 4 information security talks.
- 6 phishing tests covering all CBC staff.
- 0 critical cyberattacks.

Governance

The organization's cybersecurity and technological resilience is the responsibility of the Technology Division. There is also a Cybersecurity Committee, which meets regularly to discuss progress and challenges in this area.

Milestones in the year

- Activation of the disaster recovery site.
- Strengthening the culture of prevention through training and simulation exercises.
- Updating of the Cybersecurity Strategy.
- Incorporation of the cyber-resilience perspective to safeguard information assets and business continuity.
- Initiation of the organization-wide Corporate Risk Awareness and Culture Plan.

Future challenges

- Maintain the institution's position as a state-of-the-art Central Bank.
- Integrate best practices and keep the Bank's internal systems up to date with global developments.

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Due to the intensive use of information and data required for the proper performance of processes and the fulfillment of the Bank's objectives, information security is key for our institution. This translates into maintaining high standards in all areas of security that contribute to protecting information, physical security, Information Technology (IT) security, cybersecurity and third-party risks, among others. The foregoing, considering

Ciberseguridad

Technological advances have made online crime more sophisticated. Consequently, governments and institutions are paying closer attention to cybersecurity and promoting its proper management. The main focus is on operational continuity, anticipation of contingencies, and incident response and recovery.

In 2023, our institution continued to increase its focus on cybersecurity, considering the increase in incidents occurring locally and internationally, as well as regulatory changes⁵.



⁵ In December 2023, the Senate approved the Framework Law on Cybersecurity and Critical Infrastructure, which seeks to strengthen the country in this area by generating a new institutional framework, strengthening preventive work, creating a public culture of digital security, addressing contingencies in the public and private sectors, and safeguarding people's security in cyberspace.

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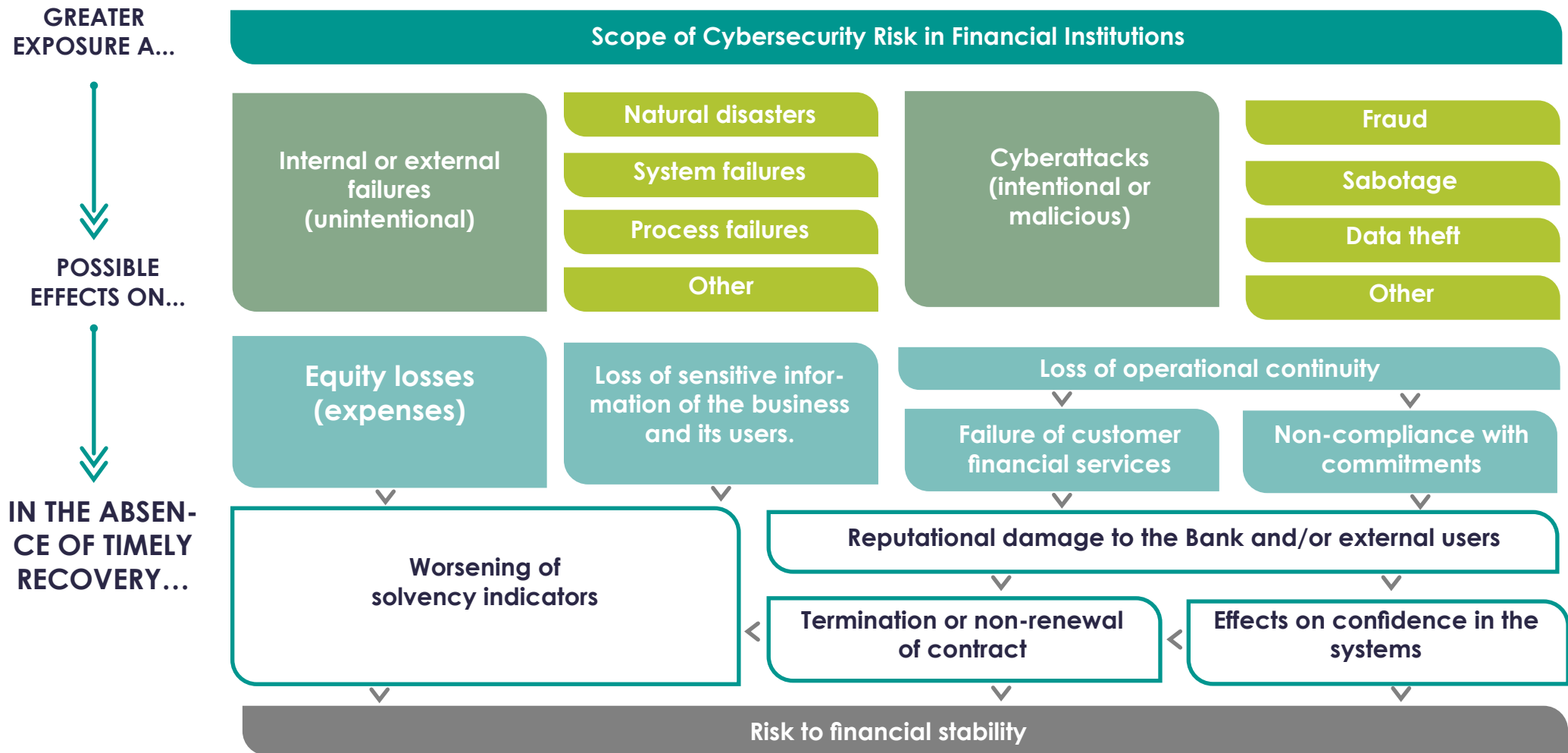
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Relationship between cybersecurity risk and financial stability⁶



⁶ The original publication is available online at <https://www.bcentral.cl/contenido/-/detalle/construyendo-ciber-resiliencia-en-la-industria>

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This year we implemented a series of projects that reduced our exposure to potential risks and increased our protection coverage. These include the following:

Digital maturity study

This project allowed us to identify the level of cybersecurity maturity in the Administration and Technology Division and the internal processes that comprehensively strengthen our response to cybersecurity incidents and IT continuity events across the organization. The results of this study were delivered to the Bank's Senior Management and are the basis for the recent update of the Cybersecurity Strategy and the initiatives that we will implement in this area over the next five years.

Disaster recovery (DR) site

Expanding on the work completed in 2022, in 2023 we implemented the DR site and carried out a series of tests to validate its effectiveness. These tests ranged from technical evaluations to simulations coordinated with the industry, for example, with BancoEstado's Central Securities Depository (CSD).

Additionally, we conducted internal tests, both technical and functional, which allowed us to validate the usability of the DR site in terms of the proposed objectives.



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Training and culture

In 2023 we continued to implement our cybersecurity awareness program under the hashtag #SensibilizarParaProteger, focusing on the dissemination of cybersecurity issues and educational social engineering exercises for our users. The main associated activities were:

The program had Bank-wide coverage through our intranet and included talks in which an average of 300 people participated.

In parallel to the implementation of the awareness program, we developed a set of initiatives to increase knowledge on the subject:



educational phishing tests covering the entire CBC staff

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Cybersecurity training

We provided training on the fundamental topics of the ISO 27001 standard to those in charge of these matters in our organization in order to reinforce the control objectives and their scope.

Through the Internal Audit Laboratory, we enhance assurance work with a strategic and adaptive approach, contributing to the prevention and prediction of risks and gaps in the organization's internal controls. This has allowed us to adapt our practices to the modernization of technology in a flexible and agile manner, anticipating new business requirements, environmental changes, and emerging risks.

Between June and December 2023, we implemented seven automation pilots, using SAS, Power BI, Teams, and BIZAGI technologies. These exercises resulted in 35 Power BI dashboards and 11 management reports.

In addition, we initiated the organization-wide Corporate Risk Awareness and Culture Plan, which includes activities to strengthen knowledge, adherence, and the development of good practices in the area of information security.

Incidents

In 2023, we recorded only one minor, low-risk cybersecurity incident, which was handled in a timely manner, with no negative effects for the Bank. In addition, we conducted a massive talk on the subject, in the framework of ongoing awareness exercises for our staff. During the period, we were not the victim of any critical cyberattacks.

Compliance

GRI 2-27

At the BC we ensure compliance with all the legislation and regulations that govern our institution. In 2023 there were not fines associated with cases of noncompliance.

4. A State of the Art Central Bank

- Progress on the 2023–2027 Strategic Plan
- Our Mandate
- MT: Price and Financial System Stability
- Monetary Policy
- Financial Regulation and Policy
- Financial Market Operations
- Management of the Large-Value Payment System
- Cash Issuance
- Statistics
- Innovation: Looking Forward
- Climate Change and Sustainability



Progress on the 2023-2027 Strategic Plan



Priority 1 Strengthen the avant-garde nature of monetary and financial policies



Objective

Enhance analytical capacity for decisionmaking, focusing on the interaction between policy and the use of unconventional tools.

Initiative 1.1

Fortalecer los marcos de política monetaria y financiera sobre los que se asientan las decisiones de política

Initiative 1.2

Increase the inclusion of Big Data.

Initiative 1.3

Promote the development of payment systems

Progress in 2023

- A unified research agenda for the CBC was consolidated.
- The CBC monetary and financial policy research agenda was approved, based on the following pillars:
 - Inflation dynamics
 - Financial intermediation and markets
 - International finance and financial innovations
 - Structural change and trend growth
 - Cycles and the real economy
 - Climate change and environmental degradation
 - Household and corporate risks and vulnerabilities
- Progress was made in integrating the relationship between monetary and financial policy into the models.
- Proposals were made that contributed to the approval of the Financial System Resilience Law, which grants the CBC new tools for providing liquidity in normal and stress situations and expands the universe of entities

- that may access payment systems provided by the CBC. A work plan was developed for its implementation in regulatory and operational areas.
- A memorandum of understanding was signed with the Financial Market Commission and the Financial Stability Board for handling critical situations.
 - The IPoM was presented in half of the regions, in organizations and/or schools, and the FSR was presented in various forums and regions, seeking to effectively communicate policy decisions.

Progress in 2023

- Progress was made in the incorporation of microdata in analysis and research and in the signing of agreements to promote the use of data.
- Indicators were developed for natural capital, income, e-commerce, and regional sales.
- A proposal for measuring natural assets was prepared.

Progress in 2023

- The 2nd Payment Systems Report was disseminated through a specialized seminar with the participation of representatives of authorities and actors in the payment ecosystem.
- Progress was made in updating the regulation of payment cards to incorporate new business models.
- Progress was made in diagnosing areas for improvement in payment system infrastructure based on the experience of benchmark jurisdictions.

Our Mandate

GRI 3-3

MATERIAL TOPIC: PRICE AND FINANCIAL SYSTEM STABILITY

Management Approach

- Monitoring and evaluation of relevant risks to financial stability and the normal functioning of internal and/or external payments.
- Formulation and evaluation of policies, regulations, and other initiatives aimed at promoting the development and efficient and safe functioning of the national financial system, the capital market, and the payments system, thereby contributing to safeguarding financial stability.
- Formulation, coordination, and evaluation of the Bank's policies for managing critical financial situations; monitoring and regulation of the financial system to prevent vulnerabilities from contributing to the amplification of the effects of a shock and to strengthen its resilience.

Policies and regulations

- September IPoM
- Law N° 18,840, Basic Constitutional act (BCA) of the Central Bank of Chile (CBC).
- General Banking Law
- Compendium of Financial Regulations (CNF)

Governance

- Monetary Policy Division
- Financial Policy Division

Milestones in the year

- Reduction of inflation by almost 9 points, from 12.8% in December 2022 to 3.9% in December 2023.
- Definition of a 5-year research agenda, which sets priorities in terms of topics of interest to the Board.
 - Intensive use of microdata for overview and analysis that feeds policy decisionmaking.
 - Continued implementation of new Basel III banking regulation standards.
 - Activation of countercyclical capital requirement as a tool to increase the resilience of the banking system.
 - Approval of the Financial System Resilience Law, which grants new powers to financial authorities to manage crisis situations and broad access to the payment system managed by the CBC.

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As the Central Bank of Chile, our mandate is to ensure the stability of the currency and the normal functioning of internal and external payments. To fulfill this mandate, the organization performs the following main functions:

- Definition of monetary policy aimed at achieving the inflation target.
- Conduct and implementation of financial policy; monitoring of risks to financial stability and prudential regulation in various areas of financial markets.
- Implementation of monetary policy; regulation and operation of payment systems; and management of international reserves.
- Issuance of banknotes and coins.

Monetary Policy

One of the objectives that the Basic Constitutional Act establishes for the Central Bank is to “safeguard the stability of the currency.” In practice, this means that the Bank must prevent the value of the currency from deteriorating due to inflation. The set of actions that the Central Bank takes to fulfill this objective is called Monetary Policy.

What is inflation?

Inflation is the sustained and generalized rise in prices in an economy. When it is high and unstable, it has a series of negative effects on people's welfare. It decreases the purchasing power of money, which means that the same amount of money will buy fewer goods and services. It also generates greater uncertainty about the future, which affects the decisions of economic agents.



How is inflation measured?

Inflation is measured through the consumer price index (CPI), which is prepared by the National Statistics Institute (INE) and calculates the monthly change in the prices of a basket of goods and services that are representative of household consumption. The CPI contains a series of products with highly variable prices, such as some foods (which rise and fall according to seasonality and other passing phenomena) and goods and services linked to the price of oil (subject to volatility in international markets). Therefore, the Central Bank prepares core inflation indicators (CPI without volatility), excluding the most volatile items in the basket, which are more closely related to the medium-term inflationary trend.

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Why is it important to keep inflation low?

Low and stable inflation favors employment growth and protects people's monetary income, especially for those living in vulnerable contexts, while creating conditions for the economy to have sustained growth, with full employment and, in general, conditions for the country's progress and well-being.

The main instrument we have to keep inflation low and stable is the monetary policy rate (MPR), which is determined at each Monetary Policy Meeting (MPM) and which influences the demand and supply of money through the banking system.



Functions of Monetary Policy

To achieve our legally mandated objective of maintaining low and stable inflation, in 1999 we adopted a monetary policy framework with medium-term inflation targets and a flexible exchange rate policy.

The Central Bank's goal is to keep the annual inflation forecast around 3% for the next two years. In other words, economic agents should always make their decisions knowing that inflation will remain at 3% over a two-year horizon.

3%



1

What is the monetary policy rate (MPR)?

The MPR is the main instrument of monetary policy. In practice, it is the rate at which the Central Bank lends to commercial banks, but it also affects all rates in the financial system. The MPR is determined by the Central Bank's Board at the Monetary Policy Meetings, which are held eight times a year. It is set at a level that allows the inflation target to be met.

2

Four of these eight meetings precede the publication of the Monetary Policy Report (MPR), which contains a comprehensive analysis of the domestic and international macroeconomic scenario and provides projections of economic growth and inflation for the year and the next two years. These four reports are presented to the Senate, three to the Finance Committee and one (in September) to the full Senate.

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Depending on the evolution of the macroeconomy and its potential effects on inflation, the Board may hold special or extraordinary monetary policy meetings.

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In practice, a change in the monetary policy rate modifies the cost of borrowing for commercial banks and, through them, for individuals and companies. This leads to changes in consumption and investment decisions, which affects economic activity and inflation.

7

An example of how the MPR operates:
Expansionary monetary policy

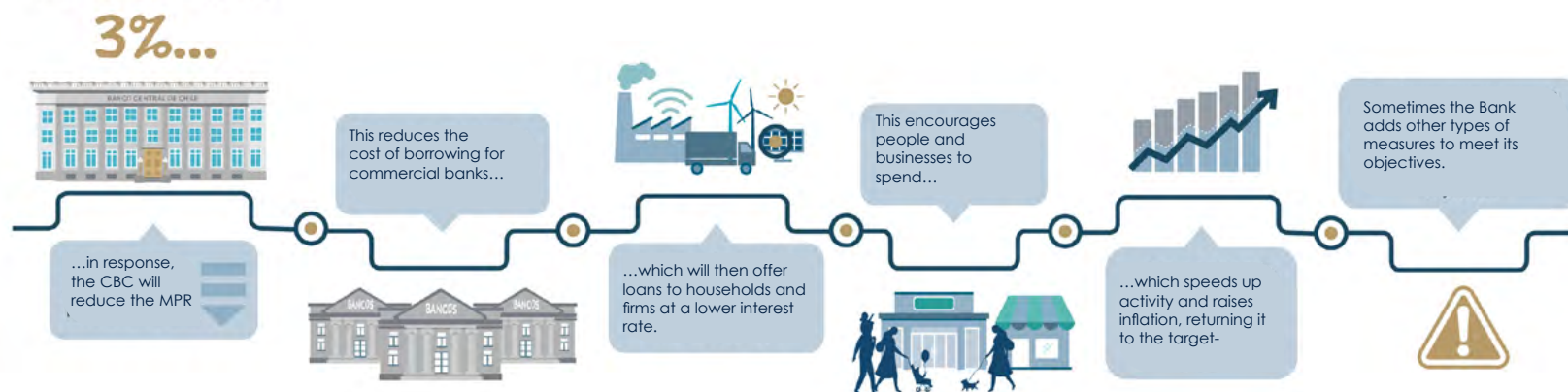


Assume a shock that threatens the growth outlook and undermines local agents' confidence.

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The less dynamic activity will cause a drop in inflation, moving it away from...

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In addition, the Bank has a set of special measures that it can use to meet its inflationary objectives. These have been used in periods such as the global financial crisis of 2008 or during domestic crises such as the social unrest and pandemic of 2019 and 2020. These measures include the short-term liquidity facility (FLAP) and the Conditional Financing Facility for Increased Loans (FCIC).

Main results in 2023

Inflation and the MPR

In terms of monetary policy, the greatest achievement was controlling the inflationary process that began in 2021. After peaking at 14.1% in August 2022, annual CPI inflation declined significantly in 2023, closing the year at 3.9%. To consolidate this convergence process, the Board began reducing the monetary policy rate in July 2023. As of December, it had accumulated a cut of 300 basis points, standing at 8.25%. The outlook contained in the last IPoM of 2023 indicates that inflation should converge to the 3% target in 2024, while the MPR will continue to be reduced until reaching its neutral level in 2025.

Category	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Inflation	12.3	11.9	11.1	9.9	8.7	7.6	6.5	5.3	5.1	5.0	4.8	3.9
MPR	11.25	11.25	11.25	11.25	11.25	11.25	10.25	10.25	9.5	9.0	9.0	8.25

(*) Monetary policy meetings are held in the months of January, April, May, June, July, September, October, and December.

Financial Regulation and Policy

The Central Bank of Chile's second objective is to ensure the normal functioning of internal and external payments, which is directly related to financial stability. In this context, financial policy consists of the set of measures that Central Bank adopts to reduce systemic risk in the financial sector, in order to contribute to financial stability.

Why is financial stability so important?

The financial sector plays a fundamental role in the economy because it contributes to the country's welfare and development through an efficient allocation of resources between savers and those who need financing.

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Functions of Financial Policy

The CBC implements its financial policy through rigorous processes that allow it to make financial policy decisions in areas within its competence. In particular, it prepares reports requested by other financial sector regulators; issues and administers financial regulation; and issues opinions on the impact of potential legal or regulatory changes on which it is consulted. In addition to these measures, it decides on the activation and deactivation of the countercyclical capital requirement; the possible exercise of its role of lender of last resort for banks; and the use of other liquidity management tools, in both normal and critical times. For the development of all these functions, the Central Bank carries out permanent research to monitor the stability of the financial system.

The CBC has the authority to manage critical infrastructure, such as the Real-Time Gross Settlement (RTGS) System, as well as regulatory powers and policy tools. The Bank also advises the Executive Branch and the Financial Stability Board on matters related to its functions. In addition, it has broad powers in international exchange operations, generates statistics, and has the analytical capacity and communication tools for warning about potential vulnerabilities and risks present in the financial system.

Conduct and implementation of financial policy

The CBC implements its financial policy through rigorous processes that enable it to make financial policy decisions in areas within its competence. In particular, it issues and administers financial regulation; decides on the activation and deactivation of the countercyclical capital requirement; prepares reports that other regulators must request prior to making certain decisions; and issues opinions on the impact of potential legal or regulatory changes on which it is consulted. In addition to these measures, it acts as lender of last resort for banks and has other liquidity management tools for use in both normal and critical times.

To manage its mandate with respect to the payment system, the CBC directly operates the Real-Time Gross Settlement (RTGS) system, which is a key infrastructure within the financial system. It also prepares diagnostics which form the basis for communicating identified potential vulnerabilities and risks to the authorities, financial system entities, and the general public, and which are themselves a policy action. The CBC thus seeks to actively contribute to the stability of the financial system, providing information, risk analysis, and alerts on certain trends that deserve greater attention from authorities, regulators, and market agents.

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Financial Stability Report

The diagnostics prepared by the CBC provide the basis for communicating identified potential vulnerabilities and risks to the authorities, financial system entities, and the general public, and are themselves a policy action. The CBC thus seeks to actively contribute to the stability of the financial system, providing information, risk analysis, and alerts on certain trends that deserve greater attention from authorities, regulators, and market agents.

The detected risks are regularly communicated to the public through the Financial Stability Report (FSR), which has been published semiannually since 2004. The FSR is presented to the Senate Finance Committee, followed by a broad dissemination campaign in the traditional and social media and in seminars or presentations held throughout the country.

Financial Policy Meeting (FPM) and the countercyclical capital requirement

As of 2022, the Central Bank holds Financial Policy Meetings (FPM), where the Board decides on changes to the countercyclical capital requirement (CCR), applicable to the banking system. This measure seeks to increase the resilience of the banking system and the credit market in the face of severe and/or systemic stress scenarios, which, in turn, contributes to reducing the impact of these events on financial stability, thereby avoiding the restriction of essential services and protecting the economy as a whole.

This meeting, which is held every six months, is part of the framework of the new Basel III capital standards for banks and is in line with the provisions of Article 66 ter of the General Banking Law (GBL).

The CCR is a broad-based tool that affects the entire banking system, in contrast with capital charges that are applied to groups of banking institutions separately, such as the systemic charge.

The CBC's stated policy objective for the use of the countercyclical capital requirement is based on a forward-looking assessment of the financial system's vulnerabilities and risks. The decision to activate or deactivate the CCR seeks to mitigate the amplification of financial-systemic risks and their effects, taking into consideration the costs to the economy of increasing bank capital requirements, as well as the benefits of greater resilience



Central Bank of Chile Payment Systems Report

The Payment Systems Report (PSR) is the CBC's mechanism for communicating to the public on the evolution and main recent trends related to the use of payment means, financial market infrastructures, and the development and policy outlook. The report also includes details of the CBC's Payments Agenda, which is part of its 2023–2027 Strategic Plan. Thus, the PSR provides a vehicle for the CBC to communicate to the general public, on an annual basis, the results of its permanent monitoring of its mandate, as well as to make the development and policy outlook transparent. The report joined the CBC's regular publications in 2022, and the second edition was published in 2023.

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Research

To contribute to the monitoring of financial stability, the CBC's analytical framework considers the monitoring and study of the financial situation and decisions of agents in the financial system (households, firms, and government); its components (intermediaries, markets, and infrastructure); and the interconnections between them. This analysis is highly demanding in terms of data, research, the development of analytical tools, constant monitoring of best practices and international experience, and interaction with different financial sector regulators and agents. The Financial Policy Research Agenda provides technical support to products such as the Financial Stability Report (FSR), the Payment Systems Report, and internal analyses for decisionmaking in the field of regulation and for tools and exercises aimed at contributing to financial stability.

For more information, see [Política Financiera del Banco Central de Chile \(bcentral.cl\)](http://bcentral.cl)

Main initiatives associated with financial policy and objectives

Initiative	Specific objectives
1. New regulation on retained securitization.	<ul style="list-style-type: none"> Expand the CBC's ability to manage financial disruptions, by improving collateral management.
2. Completion of the Foreign Exchange Regulation Simplification Process.	<ul style="list-style-type: none"> Update regulation to reflect CBC policy objectives.
<ul style="list-style-type: none"> Increase the availability of information for financial stability analysis. 	<ul style="list-style-type: none"> Contribuir a definición de marco de política RCC y difusión.
3. Contribution to the countercyclical capital requirement (CCR) policy framework.	<ul style="list-style-type: none"> Contribute to the definition of the CCR policy framework and dissemination.
4. Formation of a working group on the bank resolution framework in Chile.	<ul style="list-style-type: none"> Improve the safety net response capacity in Chile.
5. Contribution to pension reform analysis, the definition of investment limits, and other issues.	<ul style="list-style-type: none"> Contribute to the development of the financial institutional framework.

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How does the Central Bank interact with other financial authorities in the area of financial policy?

The Bank, in its a technical role, advises the Executive Branch and the Financial Stability Board on matters related to its functions, for national-level decisionmaking.

In addition to its ongoing coordination with financial system authorities, the CBC is in constant communication and consultation with sector regulators. Some of these coordination mechanisms are established in the legislation, such as the requirement of reports prior to the issuance of certain regulations.

What is the Financial Stability Board?

The Central Bank is a permanent advisor to the Chilean Financial Stability Board, which was created by the Finance Ministry to coordinate and share information among supervisory bodies. The Board meets regularly to consolidate and analyze the information available on activities subject to supervision and regulation, with a view to the adequate management of systemic risk, among other matters.

The FSR is composed of the Minister of Finance, who serves as chairs, the President of the Financial Market Commission, and the Superintendent of Pensions.



Institutional framework for financial policy in Chile

Compliance with the financial stability objective requires joint and coordinated actions between the CBC, the Ministry of Finance, the Financial Market Commission (CMF), the Superintendence of Pensions (SP), and other financial system authorities. The Financial Stability Board (FSB) centralizes coordination among these entities. In addition, the CBC is in constant communication and consultation with sector regulators, and some of these coordination mechanisms are established in the legislation, such as the requirement of reports prior to the issuance of certain regulations.

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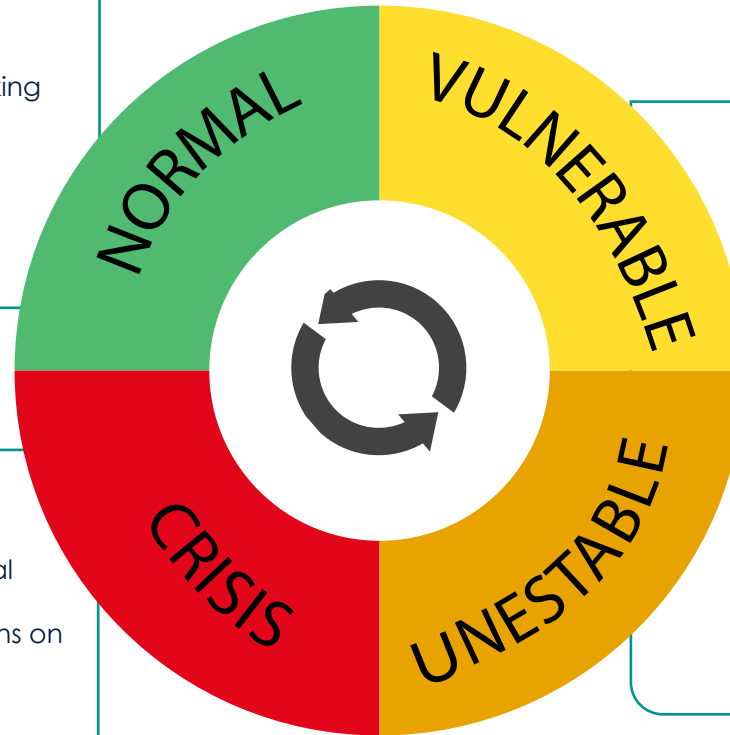
Financial Policy

Ex-ante or preventive

- Active monitoring with forward-looking vision
- Risk identification
- Regulation generation
- Prior assessment reports
- Policy tool management
- Risk warning

Crisis management

- Liquidity tools to safeguard financial system stability
- Exercise of limitations and restrictions on international exchange operations
- Lender of last resort



Ex-post or mitigative

- Active monitoring with forward-looking vision
- Evaluation of the potential impact of materialized risks
- Regulatory decisions
- Risk warning
- Activation or deactivation of the countercyclical capital requirement
- Liquidity tools to safeguard financial system stability
- Exercise of limitations and restrictions on international exchange operations

Technical coordination and information exchange among institutions that contribute to the objective of preserving the stability of the financial system

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Activation of the countercyclical capital requirement

At the May 2023 Financial Policy Meeting, the Board decided to activate this instrument for the first time at 0.5% of banks' risk-weighted assets, with a maximum implementation period of one year. This decision contributes to strengthening the resilience of the banking system and serves as a precautionary measure in the event of a severe financial stress scenario. This, in turn, is consistent with the policy framework defined by the CBC in 2021, which states that the objective of the CCR is to increase the banking system's resilience to severe stress scenarios resulting from the materialization of systemic risks, thus contributing to reduce the impact of these events on the flow of credit, financial stability, and the economy in general.

The implementation of the requirement consists of accumulating a "buffer" of capital, which is then available to face such scenarios, should they occur. In that case, the banks would be allowed to release the buffer to mitigate the negative impacts of an abrupt restriction of essential banking services, such as the supply of credit. This preventive and resilience strategy for the use of CCR has been observed in a growing set of countries over the last decade, with varying implementation criteria.

Financial System Stability Assessment (CBC assessments and assessments by multilateral agencies)

At the conclusion of the 2023 Article IV mission, the staff of the International Monetary Fund (IMF) praised the continued adaptation of what it considered to be Chile's very strong institutional policy frameworks to new developments, especially the fiscal, monetary, and financial sector policy frameworks. This will strengthen the financial system's resilience in a world more prone to shocks.

However, the mission pointed out that there are pockets of vulnerability that require careful monitoring, specifically mentioning the real estate and construction sectors, as well as smaller groups of companies with publicly guaranteed loans and indebted lower-income households.



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Development of new standards and adjustments to existing standards

In 2023, the Bank participated in the development of various regulatory instruments, including:

- **Law on Financial System Resilience:** The new law introduced various amendments to the CBC's Basic Constitutional Act; modified the General Law of Cooperatives, strengthening the supervisory regime applicable to savings and loan associations under the supervision of the CMF; and introduced other important amendments that help to improve, for example, the repo market, the institutional framework for financial market infrastructure, and the internationalization of the Chilean peso.¹

This law strengthens the resilience of the financial system and its infrastructures and will contribute to its stability. The measures directly related to the legal mandate of the CBC are the result of extensive work led by our Bank and economic-financial authorities over the last decade. They include the application of international standards and practices, recommendations obtained through technical assistance, and assessments by international organizations, together with the evaluation of the characteristics of the local market.

¹ For more information on the internationalization of the Chilean peso, see page 109.

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With regard to the Central Bank, this law supports the peso internationalization agenda, strengthens the regulatory framework for market infrastructures, and reinforces our capacity to manage liquidity, in both normal times and times of financial stress.

- **Simplification of foreign exchange regulations:** During the year, the new Compendium of Foreign Exchange Regulations (CNCI) was submitted for public consultation, which corresponds to a fourth phase of the regulatory modernization process for foreign exchange initiated in 2019. The new compendium has been streamlined and simplified through the elimination of reporting requirements and the repeal and reorganization of chapters. This is aimed at improving the reporting and management of foreign exchange statistics. It also modernizes the Foreign Exchange Information System (SICAM)

- **Payment system and infrastructure regulations:** In 2023 we were in the process of reviewing the Operating Rules of Low-Value Payment Clearing Houses submitted by various entities for the clearing of funds transfers and card payments. During the period the RTGS Operating Rules (OR) in local and foreign currency were modified.

The operation of these new infrastructures will represent a substantial advance in risk management for institutions in terms of processing both low-value payments and foreign exchange operations.

A public consultation was also carried out on the improvements to the regulation on the operation of payment and prepaid cards.

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Operation in national and international financial markets

Our main instrument available for keeping inflation aligned with the target is the MPR. To operationalize this instrument, we have a series of tools that allow us to manage the liquidity of the local financial system so that the opportunity cost of money is consistent with the established MPR. Thus, through different operations, we influence the overnight interbank lending rate, seeking to bring it to a level around the MPR. At the same time, we can implement special operations in the event of extraordinary events that may affect the correct functioning of the financial markets.

In addition, we manage the international reserves, which are another policy tool, and we act as Fiscal Agent, whereby we make debt placements in the local market and manage part of the sovereign wealth funds under instructions from the Finance Ministry.

Market operations	International reserve management	Fiscal agency
<ul style="list-style-type: none"> • Liquidity and debt management. • Foreign exchange operations. • Special operations. 	<ul style="list-style-type: none"> • Debt and foreign currency portfolio management. 	<ul style="list-style-type: none"> • Debt placements in the local market. • Sovereign wealth fund management. • Selection of external portfolio managers for the sovereign wealth funds.



Implementation of policies in the local market

Liquidity and debt management

Open market operations (OMO) are one of our monetary policy implementation tools. These operations seek to inject or extract liquidity from the banking system in the short and medium term, thus regulating the available supply of bank reserves. The rates implicit in these operations and the Bank's standing facilities generate the necessary opportunity costs for banking agents to set the interbank rate around the current MPR

A bank's demand for liquidity is related to the need to satisfy legal requirements, such as reserve requirements and additional technical reserves, in addition to covering the funding needs associated with its customers and its own business.

In the framework of the OMO, the main objective of debt management is the daily management of the banking system's liquidity through the administration of debt maturities (liquidity injection) and debt issuance (liquidity contraction). On particular occasions, these can also be used to sterilize programs to increase international reserves or other assets associated with special measures that imply an increase in the level of assets on our balance sheet.

Currently, debt management is carried out through the issuance of Central Bank discount notes (PDBC) with maturities ranging from 7 to 360 days.

Foreign exchange operations

Our foreign exchange operations are mainly conducted in U.S. dollars. On the one hand, we can buy dollars in the market on an exceptional basis, in order to have an adequate level of international reserves. On the other hand, we can exceptionally sell dollars in the spot or non-deliverable forward (NDF) market in order to mitigate the volatility of the exchange rate and allow adequate price formation in stress scenarios.

Special operations

We sometimes use non-standard market operations to conduct monetary and financial policy, in order to neutralize the effects of extraordinary economic-financial events on local financial markets and their institutions. In recent years, we have conducted special operations in the face of events such as the international financial crisis of 2008; the social crisis in Chile in 2019; the economic and financial crisis due to the COVID pandemic in 2020; and the effect of pension fund withdrawals in 2020 and 2021.

² The CBC provides banks with a standing deposit facility and a standing liquidity facility; for details, see the [Compendio de Normas Monetarias y Financieras](#).

³ Sterilization refers to neutralizing the monetary effect (injection of pesos) on the economy, associated with the expansion of assets from foreign exchange purchases for international reserves or other assets from special measures.

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International reserve management

GRI 3-3

What are international reserves?

International reserves are liquid foreign currency held by the Bank to support monetary policy and financial stability. In other words, reserves contribute to the objective of safeguarding the stability of the currency and the normal functioning of internal and external payments.

Main objectives of the international reserve investment policy

- Hold reserves in highly liquid instruments that can be sold in the shortest possible time, without incurring significant transaction costs.
- Invest in instruments that present limited financial risks, in order to limit the possibility of incurring capital losses.
- Reduce the cost of holding the reserves at the margin.

MATERIAL TOPIC: AVAILABILITY OF INTERNATIONAL RESERVES

Management approach

To guarantee efficient access to international liquidity, while preserving the Bank's financial equity.

Policies and regulations

- Basic Constitutional Act of the Central Bank of Chile.
- General guidelines on international reserve management issued by the Central Bank of Chile

Key numbers

- USD 46.3531 billion in international reserves, which represents 54.6% of the total cash on the CBC balance sheet.
- 73% of investments are in U.S. dollars.

Governance

- Financial Markets Division
- Corporate Risk Division

Milestones in the year

- Implementation of the International reserve accumulation program, with purchases of USD 3.680 billion between June and October.

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Fiscal Agency

Management of fiscal resources (ESSF and PRF)

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), under investment guidelines established by the Finance Ministry and previously approved by our Board.⁴

As fiscal agent, we manage the portfolios in accordance with the objective established by the Ministry of Finance, using an approach to obtain monthly returns in line with the benchmarks, within specified investment limits and risk parameters. In general terms, we apply the same principles and standards to managing the sovereign wealth funds that we use for our international reserves

What is the Economic and Social Stabilization Fund (ESSF)?

Created in 2007, the ESSF allows financing possible fiscal deficits and making amortizations (payments) of the public debt, thus helping to ensure that fiscal spending is not largely affected by the ups and downs of the world economy and the volatility of revenues from taxes, copper, and other sources.

What is the Pension Reserve Fund (PRF)?

Created in 2006, the PRF supports the funding of fiscal obligations deriving from the Universal Guaranteed Pension, the basic solidarity disability pension, and the solidarity disability pension contribution. It thus complements the financing of future pension contingencies.

Placement and management of Treasury debt

Since 2004, at the request of the Finance Minister, the CBC represents and acts in the name and on behalf of the Treasury of Chile in the placement and management of bonds issued by the Treasury, using the same platforms and mechanisms that we use to place the Bank's own debt securities in the primary market.

⁴ In 2023, the Finance Ministry informed the CBC of new investment guidelines for the ESSF, which entered into effect on 2 November. The new guidelines modified the benchmark structure of the portfolio, introducing changes in the countries, currencies, and asset classes that are eligible for investment. One of the most important changes was the inclusion of MBSs in ESSF investments.

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Main results in 2023

Financial Operations and International Reserve Management Highlights

Beginning of the gradual dismantling process of the non-deliverable forwards (NDF) position, starting with a stock of USD 9.11 billion.

Start-up in June of the International Reserve Accumulation Program for a total of USD 10 billion over a 12-month period.

Launch of the Liquidity Deposit (LD) program, issued at a floating MPR with maturity dates coinciding with the end of the different phases of the FCIC.

Suspension in October of the international reserve purchase program and the NDF gradual reduction program.

Market operations

Debt management

In 2023, the size and composition of the CBC balance sheet continued to change as a result of the measures implemented. On the one hand, there was an increase in its size, mainly explained by the purchase of international reserves; and, on the other, there was a restructuring of liabilities due to variations in the stock of discount notes (PDBC) used to ensure the correct transmission of monetary policy.

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On the liability side, we continued to manage the system's liquidity to ensure the correct transmission of monetary policy. In this context, most of the issues of Central Bank Discount Notes (PDBC) had terms close to 30 days, although there were also biddings at 180 and 360 days.

PDBC stock at month-end

Month	PDBC
January	39.890
February	42.010
March	41.015
April	42.890
May	43.620
June	43.210
July	42.050
August	47.150
September	48.910
October	41.550
November	42.050
December	40.979

Note: In trillions of CLP.

International reserve purchases

Month	Amount
June	480
July	840
August	880
September	760
October	720
Total	3,680

Note: In millions of USD.

NDF stock at month-end

Month	NDF
January	9.110
February	9.110
March	9.110
April	8.896
May	7.741
June	6.710
July	5.625
August	4.545
September	3.589
October	2.676
November	2.676
December	2.676

Note: In billions of USD.

Foreign exchange operations

To strengthen the country's international liquidity position, we launched an international reserve accumulation process in June. The plan called for purchasing a total of USD 10 billion over 12 months through competitive auctions, at a rate of USD 40 million per day. The program was partially executed before being suspended in October, with accumulated reserves of USD 3.680 billion.

At the same time, we held a stock of non-deliverable forwards (NDF) totaling USD 9.110 billion, which began to be reduced as of April at a rate of 1/10 per month, equivalent to a reduction of approximately USD 50 million per day, on average. Between April and October, when the NDF reduction program was suspended along with the reserve accumulation program, the NDF stock had been reduced by USD 6.434 billion.

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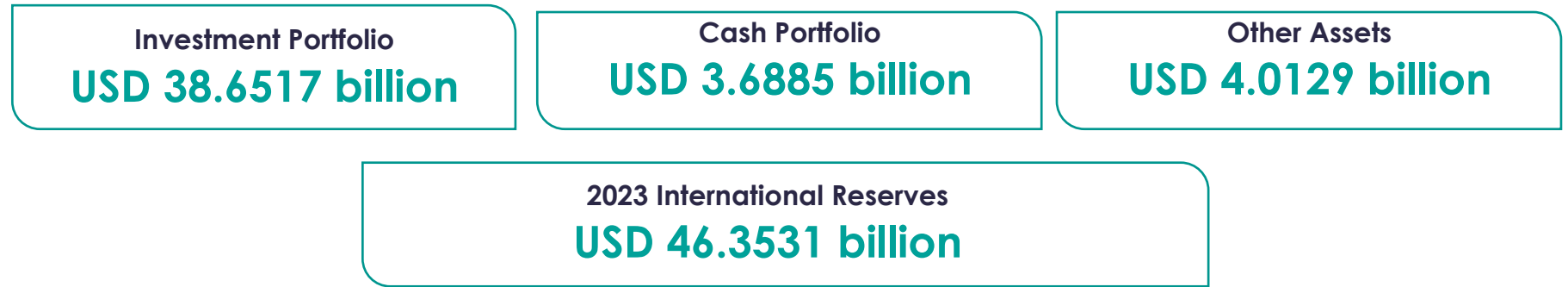
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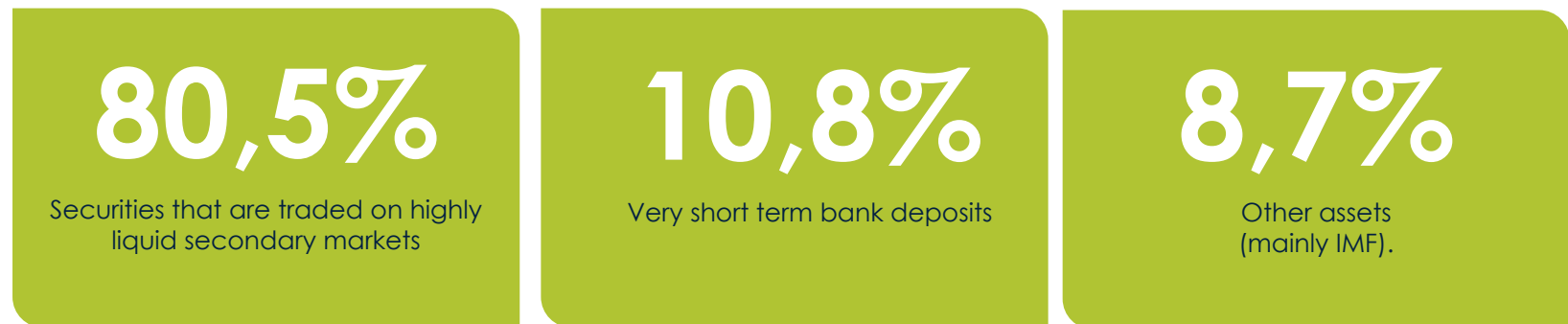
International reserve management

At year-end 2023, the balance of international reserves was USD 46.3531 billion, up USD 7.199 billion from year-end 2022. This is explained by an increase of USD 5.1873 billion in the investment portfolio, USD 1.9561 billion in the cash portfolio, and USD 55.6 million in the other assets portfolio.

The increase in the value of the investment portfolio is mainly explained by the reserve accumulation program (USD 3.680 billion) and a higher market value of the portfolio. The latter is related to the reduction in interest rates in the period, which translated into an increase in the value of the fixed-income securities in which the reserves are invested. The increase in the cash portfolio, in turn, was explained by larger deposits denominated in U.S. dollars held at the Central Bank by the commercial banks.



The liquidity of the reserves was ensured by investing in asset classes and issuers whose securities are traded on deep markets. At year-end 2023, total international reserves were invested as follows:



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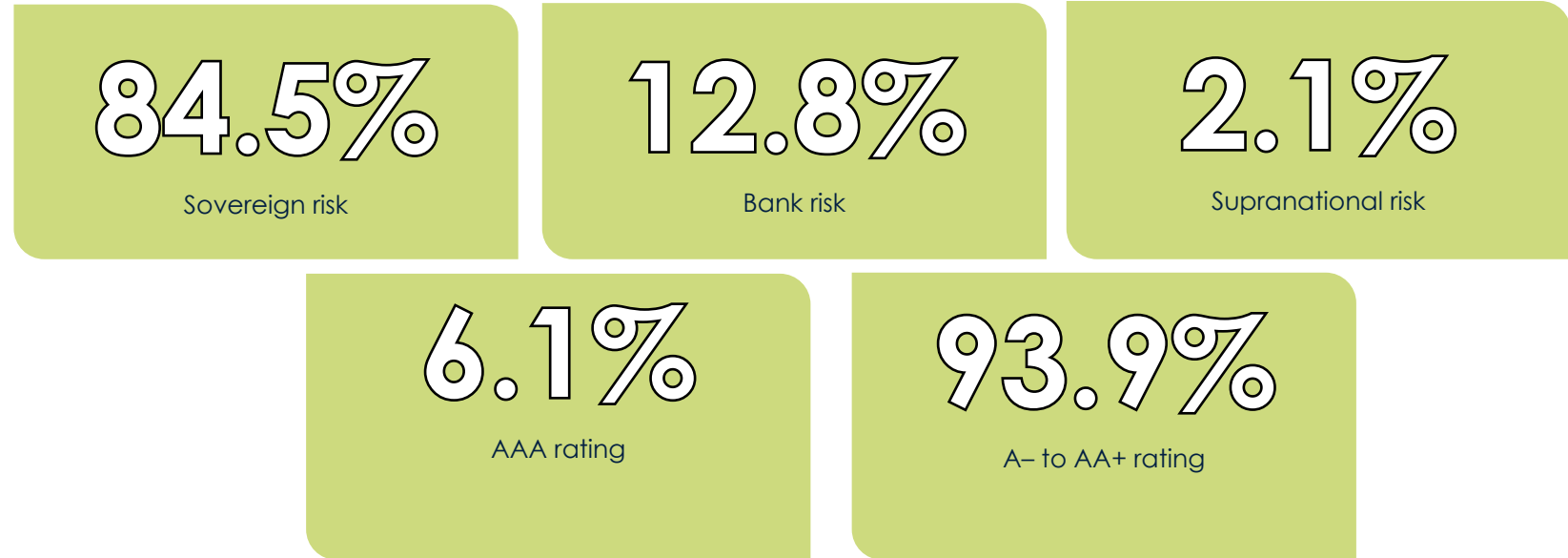
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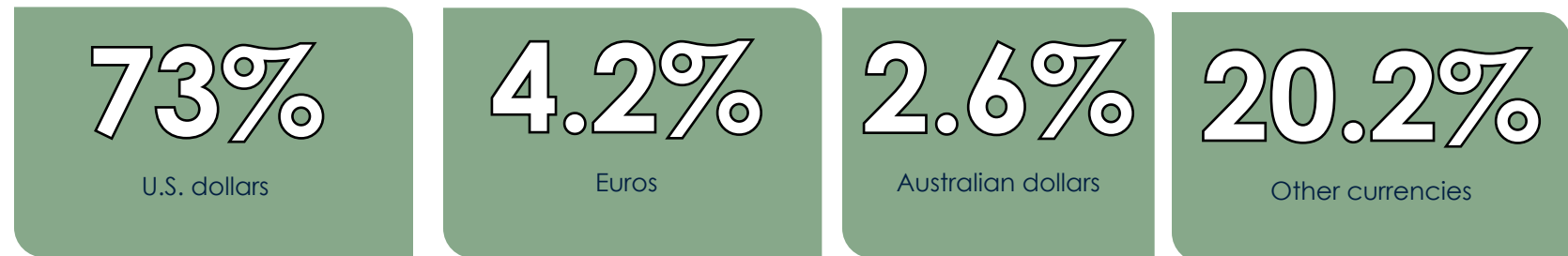
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In terms of types of risk, the investment portfolio (excluding other assets and current foreign currency operations) was invested as follows at year-end 2023:



At the close of the year, the average duration of the investment portfolio was around 32,4 months, while the distribution of total reserves by currency was as follows:



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. In 2023, both firms managed a long-term global government fixed-income mandate, with a structure equivalent to the internally managed portfolio.

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Our returns

The total return obtained from international reserve management in 2023, excluding the other assets portfolio, was 4.47% measured in U.S. dollars, ⁵ while the differential return relative to the benchmark⁶ was –12 basis points.

Appendix 2 se provides more details, in accordance with our institutional policy on the publication of information on international reserve management.

Complementary liquidity lines

The Bank has signed various agreements to strengthen its access to international liquidity. These buffers are complementary to the international reserves and are precautionary in nature. At year-end 2023, none of these facilities had been used by the CBC.

Liquidity line	Amount (billion)	Expiration
Flexible Credit Line (FCL)	USD 18.50	August 2024
FLAR liquidity lines	USD 1.25	n/a
Fed FIMA Repo Facility (1)	USD 28.00	n/a
Renminbi/peso (RMB/CLP) swap line	US \$ 7.00	August 2026

(1) Temporary Foreign and International Monetary Authorities (FIMA) Repo Facility of the Federal Reserve Bank of New York. Amount subject to the availability of collateral (U.S. Treasury securities.).

⁵ 4.28% measured in local currency, which does not incorporate appreciation/depreciation of the portfolio currencies against the U.S. dollar.

⁶ The benchmark is defined in the CBC investment policy and corresponds to the instruments and currencies that determine the portfolio structure (and the risk-return profile). This is used to guide and evaluate investment performance.

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Fiscal Agency

Sovereign wealth fund management (ESSF and PRF)

At year-end 2023, the market value of the ESSF and PRF portfolios managed by the Bank as fiscal agent was USD 6.0301 billion and USD 4.1234 billion,⁷ respectively, which was invested in line with the benchmarks established in the current investment guidelines.

Portfolios managed by the CBC

(31 December 2023; millions of USD)
(portfolio/asset class)

ESSF	USD	Other (2)	Total	Share
Sovereign bonds and Treasury notes	3,018	1,868	4,886	81.0%
Inflation-indexed sovereign bonds	234	0	234	3.9%
U.S. agency mortgage-backed securities (3)	911	0	911	15.1%
Total	4.162	1.868	6.030	100%

ESSF	USD	Other (2)	Total	Share
Sovereign and quasi-sovereign (government-related) bonds	878	2,045	2,923	70.9%
Inflation-indexed sovereign bonds	309	375	684	16.6%
U.S. agency mortgage-backed securities (3)	516	0	516	12.5%
	1.704	2.420	4.123	100%

(1) Includes currency forward positions.

(2) Includes the Euro, Renminbi, Yen, Canadian dollar, Australian dollar, pound sterling, and other currencies.

(3) MBS.

Source: J.P. Morgan N.A

⁷ The market value of the ESSF at year-end 2023 was USD 6.0301 billion, of which USD 5.1192 billion was managed internally by the Bank and USD 910,9 million by delegated external managers. The market value of the PRF at year-end 2023 was USD 8.6386 billion, of which USD 4.123,4 billion was managed by the Banco (USD 3.606,9 billion internally and USD 516,5 delegated), while USD 4.5151 billion was managed by external portfolio managers supervised directly by the Finance Ministry, under equity, corporate bond, and high-yield bond mandates.

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Results

In 2023, the ESSF resources managed by the CBC generated an absolute return⁸ measured in U.S. dollars of 2.09%, which implies a differential return attributable to the Bank's management of the portfolio of 16,9 basis points relative to the benchmark. The PRF resources managed internally by the CBC generated an absolute return measured in U.S. dollars of 4.52%, with a differential return attributable to portfolio management of -36.8 basis points relative to the benchmark.⁹

The annual fee for the management of the delegated portfolios in 2023 was set at USD 644,254.0 and USD 1,224,195.0 for the ESSF and PRF, respectively.¹⁰ 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 1.0 and 3.9 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.

Selection of an external portfolio manager for the sovereign wealth funds

Through Official Communication No. 1,197, dated July 5, 2023, the Finance Ministry instructed the CBC to hire an external administrator to manage a portion of the PRF's corporate bond mandate (this asset class is not delegated to the CBC). In this context, the CBC, with the support of an external consultant, has undergone a selection process which will culminate in 2024 with the hiring of the awarded firm.

Placement and management of fiscal debt

As in past years, the Central Bank accepted the fiscal agency agreement for the placement of Treasury bills and bonds. This involved auctioning peso-denominated Treasury bonds with maturity dates of 2033, 2037, and 2050; UF-denominated Treasury bonds with maturity dates of 2030, 2033, and 2050; and Treasury bills with maturities of 6 to 17 months. The Bank also executed cash buyback and bond switching operations for certain Treasury securities maturing in 2023.

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

⁸ The returns are reported by the portfolios' custodian bank and do not exclude performance waiver periods. Waivers are granted by the Finance Ministry and are associated with periods when the portfolios are adjusted per instructions from the owner of the resources, for example, in the event of contributions or withdrawals.

⁹ Taking the sum of the 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 2023 were 4.60% and -32.9 basis points, respectively.

¹⁰ 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, custody services, and middle office.

Management of the Large-Value Payment System

GRI 3-3

MATERIAL TOPIC: RESILIENT AND ACCESSIBLE PAYMENT SYSTEM

Management approach

- Ensure the maximum availability and efficiency of the RTGS System, in order to minimize the credit and/or liquidity risk associated with transactions and contribute to fulfilling the mandate of safeguarding the normal functioning of payments.

Policies and regulations

- Basic Constitutional Act of the Central Bank of Chile
- Regulations and compendiums (CNF and CNMF)

Key numbers

- 1,810 daily transactions, on average, in the RTGS system in national currency
- CLP 39.5 trillion: average daily value of transactions in the RTGS system
- 39 daily transactions, on average, in the RTGS system in foreign currency
- USD 1.645 billion: average daily value of transactions in the RTGS system

Governance

- Financial Markets Division
- Financial Policy Division

Milestones in the year

- Implementation of ISO 22000 (SWIFT)
- Upgrade of transactional system (RTGS and SOMA)

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Functions for payment system management

Payment systems are indispensable for the proper functioning of the economy, in particular for the completion of financial transactions, the payment for goods and services in the real sector, and the implementation of the monetary policy of the Central Bank of Chile.

In carrying out its mandate with respect to the payment system, the Central Bank acts as regulator of the payment systems and as operator of the Real Time Gross Settlement (RTGS) System, which is an electronic platform through which its participants transfer funds among themselves in local currency and dollars.

In both roles, the objective is to increase the security and efficiency of the payment systems, through the application of minimum standards and requirements suggested by international organizations on this matter.

What is the RTGS?

The Real Time Gross Settlement (RTGS) System is the primary large-value payment system in the country, and it is managed by the Central Bank. The system has 19 participants, including banks and nonbank financial institutions, in addition to the CBC itself. Transactions are settled immediately in the accounts of each bank. This scheme minimizes credit and/or liquidity risk, thereby contributing to the stability of the financial system and the performance of the economy in general.

In the RTGS system in national currency, participants can access intraday credit (through the intraday liquidity facility), conditional on the provision of eligible collateral or guarantees pledged to the Central Bank.

What is the payment system and how does it work in Chile?

Payment systems consist of a set of instruments, procedures, and rules for transferring funds between two or more participants. They are made up of system operators and participants. In Chile, the main payment systems are the RTGS system, operated by the CBC, and the clearing houses for large-value and retail payments. Participants are individuals and companies that, generally through the banking system, carry out money transactions by means of cash, checks, credit, debit and prepaid cards, and electronic transfers.

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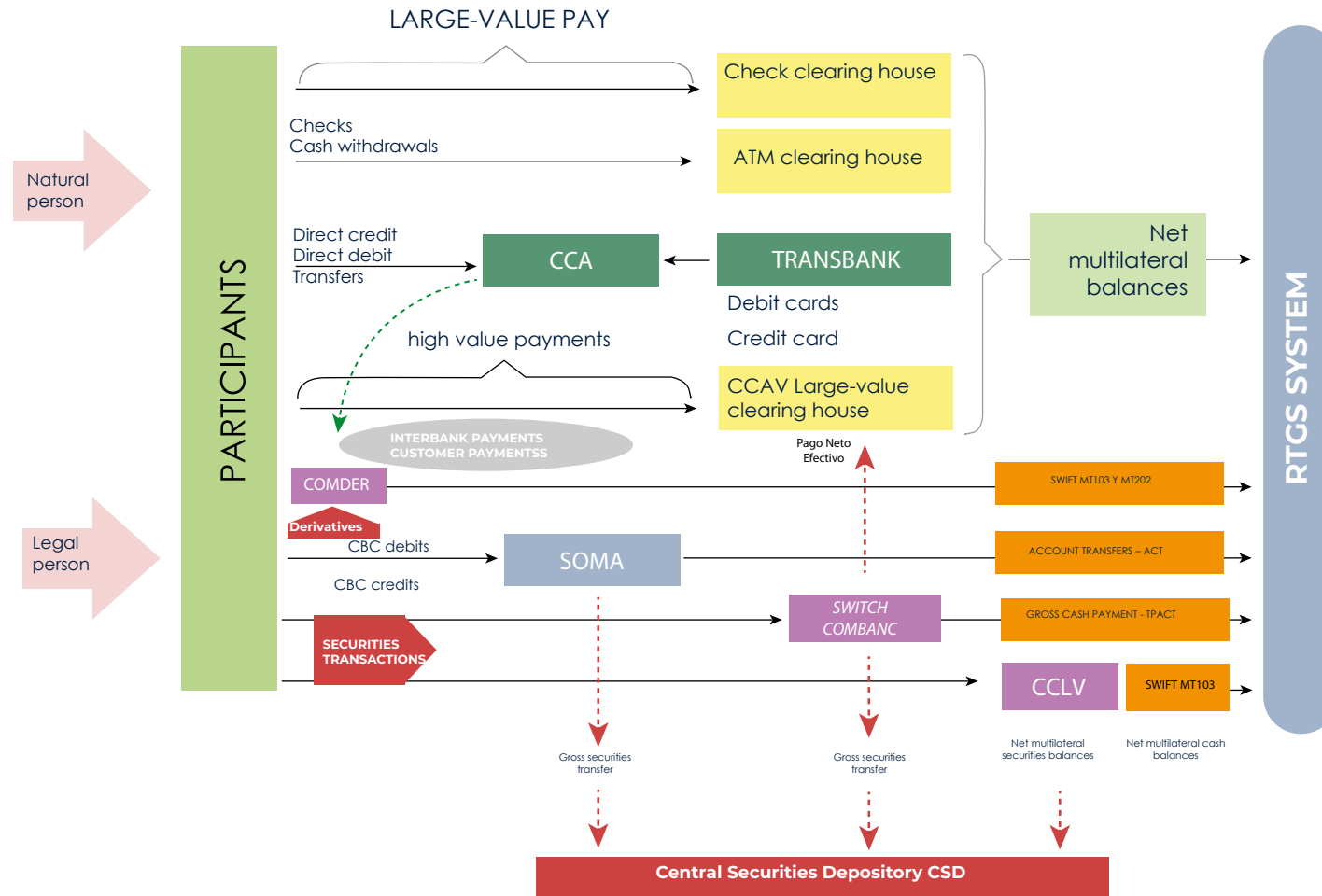
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The diagram below shows the complexity of the interactions between the actors and the operational chain of the payment system, where the CBC, with the administration of the RTGS system and the SOMA, is one of multiple participants.

Main Actors in the Payment Systems



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What are the Low-Value Payment Clearing Houses?

Low-value or retail payments are essentially what people do every day, using various means or instruments, such as credit or debit cards, electronic fund transfers, and cash. Technological advances have led to a gradual shift away from cash and toward electronic means of payment, but until recently the processes of clearing and settling these payments were outside the regulatory perimeter. This changed with the new regulatory framework.

The Low-Value Payment Clearing Houses accept, clear, and facilitate or provide for the settlement of low-value payment orders corresponding to monetary liabilities in local or foreign currency, which are granted or payable by or to banks or other financial institutions that are subject to supervision by the Financial Market Commission (CMF).

Main results in 2023

Provision of large-value payment services

As in past years, the Bank coordinated business continuity exercises in conjunction with participants of the large-value payment system and financial market infrastructures, including an exercise in which the RTGS Contingency System was used for the first time for automatic payment processing.

In 2023, the average daily value supplied through the intraday credit facility, including both modalities, was CLP 6.53 trillion.

Real-Time Settlement System in CLP	Real-Time Settlement System in foreign currency	Availability
The RTGS sub-system in domestic currency settled an average of 1,810 transactions per day in 2023, ¹¹ with an average daily value of CLP 39.5 trillion. This represents a decrease in the average daily value of 4.3% over last year.	The RTGS sub-system in USD settled an average of 39 payments per day in 2023, ¹² with an average daily value of USD 1.645 billion. This represents a decrease in the average daily value of 31.6% over last year.	In 2023, the availability of the RTGS System and the SOMA System (which provides intraday credit) was 99.86% and 99.94% respectively.

¹¹Including the Central Bank's own transfers.

¹²Including the Central Bank's own transfers.

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Currency issuance and management (coins and banknotes)

Functions for currency issuance

One of the Central Bank's main functions, related to the mandate of guaranteeing the stability of the currency and the normal functioning of internal and external payments, is the efficient management of the cash cycle.

The Central Bank is the only institution in Chile with the authority to issue banknotes and mint coins, and it must therefore ensure that there is a sufficient quantity of banknotes and coins to meet the market demand for cash. The Central Bank also promotes confidence in these means of payment, conducting ongoing information and training activities aimed at preventing counterfeiting, in particular education programs for the recognition of the security features of banknotes¹³.

**The basis for all financial transactions is the circulating currency,
i.e., banknotes and coins. Central banks regulate currency
and credit.**

National Survey on Cash Use and Preferences (ENUPE)

One of the main tools for monitoring the public's payment behavior and the impact this could have on the need for banknotes and coins in the economy is the Cash Use and Preferences Survey, which allows the Central Bank to track behavior around the use of cash and other means of payment and thus to ensure their availability for the efficient, timely, and reliable functioning of the country's economy. The survey has been conducted since 2012.

¹³ For more information, see chapter 7, Know Your Banknotes Program.

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Main results in 2023

Coin cycle

In 2023, there was a significant increase in coins returning to circulation. The circulation of coins has been improving since 2022, and this trend intensified in the summer of 2023, when coins were returned to commercial banks and commerce in general. This allowed the rebuilding of coin inventories and resulted in an over-accumulation of some denominations in commercial banks.

The Working Group to reactivate coin circulation and encourage people to use their coins, which was established in 2021, was maintained in 2023 to continue monitoring the flow of coins and the reactivation of the seasonal nature of cash (national holidays, Christmas, and summer). Likewise, during 2023 we worked together with commercial banks to encourage the interbank purchase and sale of coins, due to inventory increases in some institutions. As a result, the Central Bank recorded a lower demand for all denominations throughout the year. The level of coins issued in Chile is very high and has been stable over the years (more than 9.6 billion units, equivalent to around 500 coins per capita). The Bank therefore continues to promote the circulation of coins among all the actors involved in the cycle.

Coins that are returned to the Central Bank, mostly by people who bring them to our Public Cashier's Window, are validated and counted, and if they are in good condition, they are placed in bags to be recirculated.

With regard to outflow, coins that are in bad condition, due to the passage of time or 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 Central Bank to exchange. Worn or damaged coins are validated and counted prior to being destroyed, which is the end of their cycle.

Payment Behavior Survey

In 2023, work began on the preparation and methodological review of the Payments Behavior Survey, an initiative that will be carried out for the first time in the region in 2024. Comparative analyses were carried out with other central banks that have worked with this tool, and a pilot survey was conducted in 2022, which provided the basis for adapting the design to the idiosyncrasies of the country.

The study was born out of the need for reliable and objective data on the amount and value of cash transactions in all segments of society.

The objective is to know and monitor the behavior of individuals 18 years of age and older residing in private urban households throughout the country with respect to the use of cash and other means of payment in their daily transactions. This information deepens the diagnosis of the use of payment means and complements the data collected from the market and from the National Survey of Cash Use and Preferences (ENUPE), which will be conducted every other year.



Statistics

GRI 3-3

MATERIAL TOPIC: GENERATION OF MACROECONOMIC AND FINANCIAL INFORMATION, STATISTICS, AND KNOWLEDGE

- The generation of macroeconomic and financial information, statistics, and knowledge underpins monetary policy decisionmaking and promotes macroeconomic stability. This information also enables the Bank and other market players to make more accurate projections about the country's macroeconomic future, facilitating more effective planning and contributing to the general welfare of the population.

Governance

- Statistics Division.

Milestones in the year

- Publication of the usual statistics
- Creation of the Experimental Statistics Department
- Advances on the consolidation of data governance
- Fifth Central Bank Statistics Conference

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 analyze 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.

We apply international standards in the preparation of our statistics, thereby allowing comparability and ensuring high quality.

Central Bank statistics

National accounts

- Monthly Economic Activity Indicator (IMACEC).
- Quarterly national accounts
- National accounts by institutional sector
- Securities market statistics
- Annual national accounts
- Regional GDP
- Benchmark compilation

Monetary and financial statistics

- Interest rates
- Loans, deposits, and investments
- Monetary aggregates
- Central Bank of Chile balance sheet

Monetary and financial statistics

- Economic Expectations Survey (EEE)
- Bank Lending Survey (ECB)
- Household Finance Survey (EFH)
- Price Determinants and Expectations Survey (EDEP)
- National Survey on Cash Use and Preferences (ENUPE)

External sector

- Balance of payments and international investment positions
- External debt
- Foreign Trade of Goods
- Foreign direct investment

Derivatives repository (IDIS-TR) and foreign exchange statistics

- Exchange rates
- derivatives and spot market



During the year, we published the following methodological documents:

- Economic Statistics Studies N° 138, "Contabilidad Económica-Ambiental del Capital Natural: Experiencias y Antecedentes para Chile," which reviews the main aspects for the implementation of natural asset and ecosystem services accounts in the country.

- Economic Statistics Studies N° 139, "Índice de Precios de Vivienda del Banco Central de Chile," which reviews the main methodological aspects of the current calculation of the house price index, surveys the state of the art of housing indices at the national and international levels, and provides some stylized facts on the housing market in Chile.

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Innovation: Looking Forward

Innovation is the central element to achieve our goal of being a state-of-the-art Central Bank. In the Bank’s view, innovation is the ability to adopt, update, and/or change processes to reflect current needs and future vision, in a context that is constantly evolving and that demands and challenges the different institutions to shift their perceptions, culture, and way of doing things in order to fulfill their mission. Therefore, today innovation is one of the key pillars for the achievement of institutional objectives and goals and the continuing evolution of the organization.

In particular, the Central Bank Board has encouraged the organization as a whole to take a critical and challenging look at its processes and technologies, with a focus on quality and streamlining, as well as the development of new products and services.

The main focus of this work, promoted by the 2023–2027 Strategic Plan, is to enhance the depth and scope of the analysis that provides the basis for monetary, financial, and exchange rate policy decisions and the use of unconventional tools, especially considering the interactions between them. As part of this cross-cutting objective for the Bank, in 2023 progress was made in studying, designing, and implementing a set of innovative tools and initiatives:

Research

Important advances were made in terms of research, modeling, and microdata, which have been key for addressing the challenges posed by the national reality. Thus, a series of new models and extensions to existing forecasting models have been implemented, as well as high-frequency tools and indicators to adequately monitor the economic situation.

The Bank also worked on a research agenda on tools for improving and updating the analytical framework, in order to contribute to the monitoring of financial stability in a context of constant change and evolution.



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Publications

In 2023, 28 Central Bank papers were accepted for publication, making it the most active year to date in terms of publications. The articles were published in world-class academic journals such as the American Economic Review, Journal of Finance, Quarterly Journal of Economics, Journal of International Economics, AEJ Macroeconomics, European Economic Review, Journal of Monetary Economics, and Emerging Markets Review. This group of publications is consistent with the Bank's efforts to deepen its understanding of issues related to monetary and financial policy.

11 papers
GEE

2 papers
DPM

15 papers
DPF

In addition, the Bank's researchers published 34 Central Bank working papers (CBWP) in 2023. As in the case of the academic journal articles, the CBWPs presented a balance between monetary policy topics and financial policy topics. Over the course of 2023, the Bank also organized a wide range of weekly academic seminars, workshops—including one co-organized by the Monetary Policy and Financial Policy divisions—and the Annual Conference.

The following are some of the measures developed during the year:

Research agendas

The Bank's joint research agenda was approved for the next five years, thereby prioritizing research efforts while seeking synergies and reducing duplication of effort among the Bank's researchers. Relatedly, a plan for collaborating with third parties on research involving administrative microdata was designed and approved, and significant progress was made in its implementation.



Modeling agenda

Progress was made on several fronts during the period, including heterogeneous agent models, the application of bounded rationality as a solution to the Forward Guidance Puzzle, and the incorporation of the energy block into the XMAS model for modeling the energy transition.



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Incorporation of new models in the regular analysis of the international scenario



One example is the factors behind global inflation, which are now available as a dashboard for the entire bank. Likewise, the use of models for the analysis of the adequate level of international reserves has been improved.

Incorporation of administrative micro-data in international analysis

For the first time, these data were used for a project that analyzes the relations of local firms with the international market, which will enhance the analysis of external shocks on the local economy. In addition, new technologies for the visualization and presentation of results were incorporated through the modernization of various internal reports.

Incorporation of administrative micro-data in financial policy analysis

A visible effort was made in 2023 to incorporate administrative and survey microdata into financial stability and policy analysis. The fruits of this effort have resulted in a number of working papers and articles, while also informing the analytical material prepared for the FSR and FPM.

Project for the incorporation of microdata from administrative records



In 2023, further progress was made on the project to incorporate microdata into macroeconomic analysis and monitoring and output and price forecasts. This work has been reflected in the material for the IPoM and the MPM, as well as the updating and publication of new internal economic monitors.

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Incorporation of new macroeconomic analysis and forecasting models



This includes the use of a structural macro-financial model for credit forecasts in the IPoM and the MPMs, as well as in the FSR and the FPMs. A modification with cognitive discounting was incorporated for the analysis of monetary policy alternatives. Additionally, new empirical and semi-structural models for the analysis of financial series, output, prices, and estimates of unobservable variables were also incorporated.

Refinement of the Macrofinancial Model and development of satellite models that relate financial policy decisions to the real economy



In 2023, we began to use the Macrofinancial Model to prepare the background analysis for the IPoM, FSR, and FPMs.

Applied research projects

In 2023, several applied research projects were developed and published in IPoM boxes. One example is “Lending Conditions for Firms: Evolution and Heterogeneity,” which contributes to Priority 1.2.a of the strategic plan and is also a case of collaborative work among the Bank’s different divisions and departments.



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Experimental Statistics

CBC 26

In 2023 we created our Experimental Statistics Department, a unit that centralizes the exploration, preparation, and dissemination of experimental statistics. The objective is to provide more timely, more disaggregated data that complement the more traditional view of economic activity.

Experimental statistics, which fall into the realm of innovation and experimentation, use new sources of information that have emerged with digitization and are not covered by international standards. Because they have a higher frequency, they may be revised more frequently than traditional statistics.

In addition, these indicators seek to accelerate the statistics production cycle and receive feedback from users in the early stages of their development.

In 2023 we publish new experimental statistics:

- Business-to-business credit indicators (ICCE).
- Housing market value (VMV).

During the year, we also updated our previously published experimental statistics:

- Daily retail sales index (IVDCM).
- Regional mobility indicators.
- Internet job posting index (IALI).
- Regional sales indicators (ICVR).
- Firm dynamics (IDE).
- House price index (IPV).

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Tool development

Construction of short-term data tools

Tools such as the electronic sales receipt price indicator and the price, nominal rigidities, and margins monitor were developed with the participation of different divisions and departments within the Bank, as part of Priority 1.2.a of the 2023–2027 Strategic Plan.

Price Determinants and Expectations Survey (EDEP)

Launched in 2023, this survey is the first source for the inflation expectations of firms in a two-year horizon. It has also become a regular reference in the internal evaluation and public discussion of price determinants.

Chilean Derivatives Market Report (Derivatives System)

In November 2023, we launched the Chilean Derivatives Market Report, which is prepared based on data contained in the “IDIS-TR” financial market infrastructure. The report presents stylized facts on the main derivatives markets in the banking sector, including foreign exchange derivatives, spot, UF-CLP derivatives, and local interest rate derivatives (average interbank interest rate swap).

The IDIS-TR is the first financial market infrastructure in Chile corresponding to a derivatives repository, which provides a platform for increasing market transparency, promoting financial stability, and facilitating supervision by regulators.

In this system, banks, institutional investors, and other residents that use derivatives report their transactions in accordance with international best practices and recommendations. As a result, users can now access new information on exchange rate, interest rate, and inflation derivatives through a web portal specifically designed for this purpose. With a two-day lag, it is possible to access the daily register of participants, the amounts traded and outstanding, and the contractual terms of the operations.

This is complemented on a monthly basis by the “Monthly Monitor” tool, with statistics on residual maturities and outstanding positions of a wider universe of interest rates, which works with interactive graphs and direct access to the data. Both the Daily Monitor and Monthly Monitor tools are available at www.siid.cl.

This digital space improves market transparency levels, contributing to financial stability monitoring and regulators’ oversight of derivatives.

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Payment system innovation

Integrated payment systems

As part of the 2023–2027 Strategic Plan, the CBC has set itself the objective of promoting the development of payment systems, in line with changes in technology and user preferences, by adapting the regulatory framework and infrastructure. In particular, the aim is to have a robust payment system, where the development of digital payments provides an opportunity for financial inclusion and a more efficient system. As part of these objectives, the Bank has also proposed to look for ways to improve the local payment system and adapt to new environments.

Contributing to the continuity and efficiency of the payment system

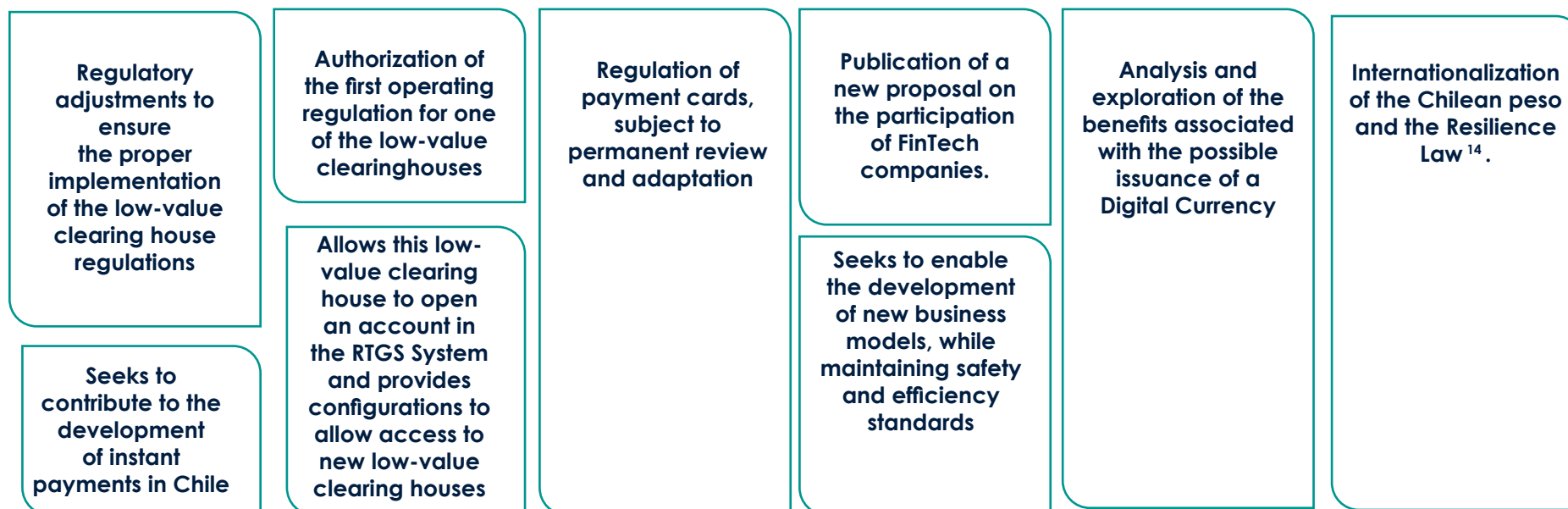
- Through infrastructures to contain counterparty, operational, and legal risks between banks and other financial institutions when carrying out payments and financial transactions.
- Through the promotion of greater development and availability of means of payment for all people, to increase both resilience and financial inclusion.



Main achievements in 2023

Initiative	Specific objectives
1. Implementation and regulation of the Low-Value Payment Clearing House (CPBV) and the FX Clearing House.	• Containment of counterparty, legal, operational and other risks.
2. Phase 2. CPBV regulation.	• Financial inclusion, resilience of payment means.
3. Approval of the Resilience Law.	• Expansion of the CBC's capacity to manage financial disruptions.
• Interoperability of the large-value clearing houses	• Innovación
4. Adaptation of the regulation of payment cards and equivalent systems.	• Innovation
5. Contribution to the analysis of the potential of a central bank digital currency.	• Financial inclusion, resilience of payment means.

ver the course of 2023, the following initiatives have been carried out in this area:



¹⁴Para mayor información ver siguiente sección.

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Digital payment agenda

Following the publication of the first Central Bank digital currency (CBDC) exploration report, the analysis of the use cases and challenges of issuing a CBDC continued. To this end, a series of activities was carried out to gather the opinion of citizens, participants in the financial industry and the current payment ecosystem, various players in the Fintech industry, and other local stakeholders, including interaction with financial regulators. We also gathered experiences and views from other central banks and multilateral organizations.

In particular, the following activities were conducted:

—Discussions were held on digital payments, in which experiences were shared and expert opinions were obtained from local and international experts on the challenges and prospects of digital payments, while addressing the role that a CBDC could play in the payment ecosystem in Chile.

—The first public survey on the CBDC, with 21 open and closed questions, was published on the Bank's website. This survey was well received, especially among people related to the payment system, garnering approximately 450 responses, which compares favorably with similar experiences in other countries with a larger population. It should be noted that this survey is not intended to be representative, but simply reflects the views of those who were interested in responding to it.

—Eight working groups were held to explore technical, practical, and business viewpoints, from the perspective of representatives involved in means of payment management and other institutions that are part of the local financial system. The activity ended with a closing seminar with the participation of representatives of the BIS Innovation Center.

—Numerous meetings were held with other central banks and experts in technology development. The agenda included a Central Bank mission to Sweden and Spain to discuss in situ the progress being made in European economies in this area, as well as attendance at various international forums and round tables on CBDCs.

We led a BIS working group on CBDC risk management, in conjunction with the Bank of Mexico. The objectives were to propose a taxonomy for risk-based decisionmaking in the CBDC model and the identification and analysis of the main categories of operational and security risks that generate critical conditions and that must be managed throughout the life cycle of a CBDC project¹⁵.

In 2023 work continued in terms of conducting further comparative research, processing the information and data obtained thus far, and achieving a better understanding of the implications of the active exploration phases, information that is contained in this report.

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Internationalization of the Chilean peso

In recent years, we have made regulatory advances and taken steps to promote greater depth, security, and resilience in the foreign exchange market, both locally and across borders. This includes the internationalization of the Chilean peso.

This measure consists of a regulatory change that allows the use of Chilean pesos to contract derivatives whose settlement or payment contemplates the physical delivery of pesos; the opening and holding of bank accounts in pesos by persons not domiciled or resident in Chile; and the granting of loans by persons domiciled or resident in Chile to persons domiciled or resident abroad. It also allows the use of Chilean pesos to make deposits or investments abroad by persons domiciled or resident in Chile and the granting or making of loans, deposits, investments, and capital contributions in Chile by persons who are not domiciled or resident in Chile.

The purpose of this measure is to contribute to price stability and the normal functioning of payments, and it may constitute an important step toward stimulating greater competitiveness and efficiency in local financial markets, by removing obstacles for nonresidents to interact with local market players.

The Mass Information Analysis Department is the unit in charge of enhancing the analysis of the Monetary Policy Division in the reports it submits to the Bank's Board for decisionmaking. To this end, its research activity focuses on the exploitation of granular data and the application of new statistical techniques available in the field of data science.

Main advances in the period

The implementation of the Resilience Law for the local banking sector has led to new regulatory adjustments and modifications to tax legislation, which were channeled in 2023 through the Law to Strengthen the Resilience of the Financial System and its FMI (Law 21,641, known as the "Resilience Law"). The law provides additional crisis management tools for financial authorities and access to payment systems for new entities.

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Law to Strengthen the Resilience of the Financial System and its FMIs

The law defines the procedures by which the Chilean tax authority must register nonresident persons, through a simplified procedure to obtain a tax identification number (RUT), and incorporates powers for the tax authority to require information on nonresident agents holding correspondent accounts in pesos and their transactions, which must be provided by the local banks providing such accounts.

This law complements the CBC's work in this area over the last several years.



In 2023, we collaborated in the monitoring and implementation of the Financial System Resilience Law, enacted in December.

Submission of complementary material to the National Congress on pension reform, pension fund withdrawals, the resilience bill, etc.

Participation in working groups with the Finance Ministry and the Financial Market Commission for the presentation of recommendations on the project¹⁶

Information available in the Financial Stability Reports¹⁷

As next steps, the Bank will join a working group with the Finance Ministry and the Internal Revenue Service for the implementation of the provisions of the Resilience Law in this area. In addition, it will continue to manage the process of incorporating the peso into the CLS System.

¹⁶ Las presentaciones están disponibles en <https://www.bcentral.cl/documents/33528/133214/pgs-05072023.pdf> y en https://www.bcentral.cl/documents/33528/133214/and_14032023.pdf

¹⁷ for information, see FSR, Second Half 2023 Box IV.1: "Aprobación del proyecto de ley para fortalecer la resiliencia del sistema financiero y su infraestructura."

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Governance

In terms of Governance, the Mass Information Analysis Department was restructured to create the Applied Economics Group and the Data Science Group, to execute initiatives under the 2023–2027 Strategic Plan.

The Mass Information Analysis Department is the unit in charge of collecting, processing, and analyzing large administrative databases. The Department seeks to enhance the capacity of Monetary Policy analysis for the reports it submits to the Bank's Board for decisionmaking. To this end, its research activity focuses on the exploitation of granular information and the application of new statistical techniques available in the field of data science.



Climate Change and Sustainability

CBC 23, CBC 24

Environmental Agenda

The Bank's environmental agenda is part of the innovative measures it is developing to adapt to changing environmental conditions. The Central Bank of Chile does not have an explicit mandate regarding sustainability or climate change. Our mandate is to ensure the stability of the currency and the normal functioning of the internal and external payments system. However, climate change and policies aimed at decarbonizing the economy have potentially significant impacts on the macroeconomy and financial stability, which necessitates the incorporation of the environment into our economic analysis tools and the provision of environmental statistics.

In accordance with its mandate, the Bank is implementing an agenda for measuring natural capital. Within this framework, the CBC's Statistics and Data Division presented its Work Plan for the Environmental and Economic Accounting System during the year. The first stage of this plan includes the development of a land use and cover indicator.

In this context, we are working on six lines of action:



Macroeconomic analysis

To develop a better understanding of the macroeconomic impacts, the Bank is working on extending its analysis and forecasting models to incorporate climate change damage and the impacts of mitigation policies.

Financial system risk assessment

The Bank assesses the financial risks of climate change—physical and transitional—for financial stability in order to identify potential vulnerabilities in the financial system.

Provision of new statistics

The Central Bank of Chile is working to produce new statistics on natural capital in Chile.

Climate change

The CBC actively participates in technical cooperation initiatives, forums, and working groups on climate change, nature, and the financial sector, both nationally and internationally.

Intersectoral cooperation

We cooperate technically with other public agencies on methodological and conceptual aspects of the effects of climate change, nature, and biodiversity on the economy and financial risks in the area of financial stability, statistics, and institutional management.

Data generation

We develop statistics and data that contribute to the analysis of the relationship between nature and the financial sector.

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Participation in national and international initiatives

The Bank contributed to several initiatives related to climate change in 2023.

At the national level, we participated as an external advisory member of the Taxonomy Preparatory Committee and the Natural Capital Committee.

Internationally, the Bank actively contributed to the work being carried out by the NGFS, participating on the Taskforce for Nature-Related Risks, the Research Network, and the Expert Network on Data, and co-led, together with the Bank of Canada, the report on macroeconomic modeling of climate change of the Monetary Policy Workstream. Additionally, the CBC's Chief Economist is currently chairing the BIS-CCA Research Network, which is developing knowledge on the economic-environmental intersection for Central Banks of the Americas. The Bank has also organized workshops and conferences with the objective of contributing to the development and dissemination of knowledge in the area, including the 26th Annual Conference; the Green Swan 2023 conference (co-organized with the BIS, NGFS, and the Central Bank of South Africa), the 2023 Statistics Conference, and the workshop on "Macroeconomic Modeling and Natural Capital" in conjunction with the IDB and the Catholic University of Chile.

The Bank has also participated in OECD working groups related to natural capital, human capital, distributive statistics, and the digital economy.

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Sustainable investments

MATERIAL TOPIC: SUSTAINABLE INVESTMENTS (ESG)

Management approach

- Adopt international best practices, while staying focused on the CBC's mandate.

Governance

- Financial Markets Division

Milestones in the year

- Study and review of the feasibility of investing in green bonds.

In 2023, we studied the possibility of investing a percentage of the international reserves in green bonds, reaching the conclusion that, in principle, there would be room for green investments, since they are compatible with the Basic Constitutional Act by which we are governed and with the need to diversify the financial risks of the international reserves.

We expect to continue studying this developing market and, to the extent possible, to adopt international best practices on the subject, for example, following the recommendations of the NGFS.

5.A Collaborative Organization

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- Progress on the 2023–2027 Strategic Plan
 - Data Use and Governance
 - Technology and Digital Transformation
 - National and international Collaboration



Progress on the 2023–2027 Strategic Plan

CBC 13



Priority 2 Promote integration and efficiency as a hallmark of the organization



Objective

Adapt the organizational model to develop an institution that works collaboratively in search of greater efficiency.



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Data use and governance

To enhance data use in 2023, we continued to develop technological platforms that enable the use and processing of large volumes of information and its incorporation into monetary and financial policy analysis and decisions. In particular, we made progress in the implementation of a distributed computing platform (Cloudera) to facilitate the use of large databases.

In the year, we signed new agreements that make information available to expand statistics and economic analysis. We made progress on the dissemination of guidelines on good practices in the access, use, and storage of microdata and on the consolidation of the data governance framework with the creation of the position of Chief Data Officer.

We participated in the meetings of the Central Bank Data Collaboration Group, an initiative that seeks to share the experiences of different central banks in the use, storage, and exploitation of data.

Agreement	Collaboration objective
Collaboration Agreement for the Transfer of Information with the Undersecretariat of Fisheries and Aquaculture (Subpesca)	This agreement allows us to access personally identifiable data from Subpesca related to fishing and aquaculture activities, in order to prepare the National Accounts of these economic sectors. It also provides access to personally identifiable data to support the systemic analysis of the impact of other economic sectors on fishing activity, also incorporating financial and international trade variables.
Collaboration Agreement with the Ministry of Culture, Arts, and Heritage	To provide technical support for the Culture Satellite Account project, aimed at obtaining an approximation of the contribution of culture to the economy's gross domestic product, as well as other related indicators.
Collaboration Agreement with Sociedad Operadora de Tarjetas de Pago Santander Getnet Chile S.A.	In our ongoing efforts to improve statistics, we requested information on transactions made with payment cards operated by Getnet, Mercado Pago, BCI pagos, Compraquí, and Klap, for use in the preparation of aggregate household consumption statistics for the national accounts and regional gross domestic product.
Modification of the Collaboration Agreement with Transbank S.A.	This agreement expands the information required and changes the frequency and form of delivery. Access is provided to aggregate information on payment card transactions operated by Transbank, by region and municipality, for the acquisition of goods and services using cards issued both in Chile and abroad. The data are to be used for statistical purposes and economic analysis, including the estimation of household consumption of goods and services.

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Tecnología y transformación digital

La transformación digital ocurre en las organizaciones cuando se realizan cambios potenciados con tecnologías digitales con el objetivo de eficientar y optimizar sus procesos. En el Banco Central su uso nos ayuda a escalar y competir respondiendo a un entorno cambiante y prestando un mejor servicio.

En esta senda, nuestro trabajo ha sido enfocar el máximo potencial a varias de las actividades operativas de nuestra organización, a través de las tecnologías adecuadas, junto con personas, procesos y operaciones, lo que ha permitido adaptarnos a este fenómeno disruptivo y lleno de oportunidades, cumplir con las nuevas y cambiantes necesidades de la organización y del entorno, e impulsar el futuro conocimiento e innovación, a menudo de diferentes maneras, potenciando el trabajo moderno y colaborativo.

Proyectos de transformación digital

En 2023, en materias de transformación digital, promocionamos prácticas de trabajo más flexibles y colaborativas, desde la gestión compartida de documentos hasta la organización de seminarios y charlas en línea, mejorando así la comunicación interna y potenciando el uso de las herramientas y canales disponibles.

Adicionalmente avanzamos en la realización de pilotos para la incorporación de herramientas de Inteligencia Artificial, como una forma de asistir y complementar el trabajo diario de nuestros colaboradores.

- 1. Potenciar Microsoft Teams:** avanzamos significativamente en la promoción de la adopción de prácticas de trabajo flexibles y colaborativas, utilizando Microsoft Teams como eje central para mejorar nuestra comunicación interna. Potenciamos su uso extendido dentro de la organización, desde la colaboración en archivos hasta la generación de seminarios y charlas a través de la plataforma. También implementamos salas "Teams Rooms" para enriquecer la experiencia de reuniones, asegurando una integración más profunda y efectiva de la plataforma en el día a día de nuestra institución.
- 2. Automatización con Power Platform:** automatizamos procesos clave como la gestión de solicitudes de trabajo híbrido, contrataciones directas, organización de eventos, entre otras, comprometidos con la mejora continua y la eficiencia operativa, contribuyendo a una mayor adaptabilidad y flexibilidad organizacional.
- 3. Exploración de ChatBot OpenAI y Bing Chat Enterprise:** bajo un enfoque exploratorio, evaluamos el potencial de soluciones de Inteligencia Artificial para automatizar respuestas y análisis de documentos, sentando las bases para futuras implementaciones que aborden casos de uso específicos, mejorando así el acceso a la información y la eficiencia operativa.
- 4. Plataforma Cloudera:** se instaló la plataforma distribuida para comenzar a trabajar con grandes volúmenes de información, con el fin de apoyar el análisis y las decisiones de política monetaria y financiera.

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Technology Observatory

The Technology Observatory is an internal unit that allows us to be active in the search for and analysis of disruptive technologies, mainly applicable to payment systems and means of payment, detecting opportunities and potential impacts in our business areas. It has three major objectives:

1. Facilitate internal coordination.
2. Strengthen and facilitate cooperation with external networks.
3. Promote the development of knowledge on issues related to disruptive technologies.

The Observatory is a catalyst for the development of knowledge and the adoption of disruptive technologies in the institution. Its functions include monitoring technological developments in payment ecosystems and infrastructures at local and international level, in order to contribute to the dissemination of knowledge within the Bank and strengthen the business perspective as an input for the regulation and operation of payment systems

Currently, the Observatory is focused on two lines of action that are directly related to our 2023–2027 Strategic Plan: innovation applied to payment systems and research in the field of central bank digital currencies (CBDC).

Innovation

Our 2023–2027 Strategic Plan integrates a set of initiatives that we, as an institution, have committed to pursue during the period, including the promotion of innovation under a framework of defined risks.

To develop this initiative, we have formed a working group between the Technology Department, the Personnel Area, and the Technology Observatory. This team reports its progress to a Sponsor Committee, which includes the Corporate Risk Division Director and the Technology Manager. The Management Planning and Control Department participates in the governance of the innovation line and is in charge of monitoring its progress.

In 2023, this group was in charge of developing diagnostic and research tasks on good practices related to innovation management, to later advance in strategic tasks, processes, connection with the ecosystem, and the formulation of indicator.



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In the area of processes, in order to strengthen technological innovation within the Bank, our Technology Department, together with the Observatory, developed a management and governance model to support the different areas in the presentation, evaluation, and prioritization of their technological innovation initiatives.

Central bank digital currencies (CBDC)

In 2022 we published our first report on the possible issuance of a Central Bank digital currency. This report incorporated the discussion on the potential benefits and challenges associated with this product. Since then, we have monitored the ongoing conceptual and practical exploration of the issue being carried out by other countries.

In parallel, we conducted monitoring activities of services related to platform providers for the development of proof-of-concept and/or consulting services related to digital currencies.

Considering global trends and the information gathered through interactions with the public and private sector, in 2023 we evaluated whether it is pertinent to continue with the active exploration process, to build capacities, analyze the financial implications, and have a more complete understanding of the challenges that this process entails. The results of our activities and their main outcomes were to be part of a second CBDC report.

To start the implementation plan, we have proposed an initial innovation management model, using the ISO 56002 standard as a framework.

Disaster Recovery Site

In 2022 we activated the disaster recovery (DR) site in Puerto Montt, which provides an operational continuity solution for the organization's critical systems in the event of incidents, security breaches, or natural disasters that prevent the use of the main data centers.

In 2023 we carried out a series of tests to validate the effectiveness and operability of the DR site. These tests ranged from technical evaluations to simulations coordinated with other financial agents, such as the Central Securities Depository (CSD) and Banco del Estado.

Additionally, we conducted internal technical and functional analyses, to check the usability of the system in the face of different needs and expectations. This development makes our organization more resilient in its role as a service provider to the national financial system, since all bank operations directly or indirectly pass through the Central Bank's network and are constantly being updated.

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National and international collaboration

Workshops and conferences

Journalist training seminar

The Central Bank organizes an annual Journalist Training Seminar in conjunction with the Economics and Finance Journalist Association of Chile (AIPEF). The series has been held since 2003, when then-Chairman Carlos Massad signed an agreement with journalist Lina Castañeda, who at the time was serving as president of the association.

Since then, the agreement has remained in force, which has allowed us to support the training of different generations of journalists and communicators from the media and corporate communications with regard to economic and financial topics related to our work.

The workshops are generally background talks, which give the journalists a better understanding of the topics covered and thus help them improve their work.



Journalist training workshops held in 2023

GRI 2-28

Date	Topic	Presenter	Description
13 January	The Chilean economy in 2023–2024	Governor Rosanna Costa	For the closing session of the 2022 Journalist Training Seminar, our Governor gave an in-person background talk, which was attended by 34 participants.
8 June	2022 National Survey on Cash Use and Preferences (ENUPE)	Cecilia Feliú, CBC Treasury Manager	This workshop, which was attended by 15 journalists, discussed the results of the 2022 National Survey on Cash Use and Preferences (ENUPE).
2 August	Experimental Statistics in the Central Bank of Chile	Josué Pérez, Senior Advisor, CBC Macroeconomic Statistics Division	This talk explained the nature of experimental statistics— which are characterized by innovation in terms of information sources, statistical methods, and/or the scope of study—and why the Bank is developing them. The online workshop had 26 attendees.
24 August	2023 Payments Report: Trends and Regulation	Gabriel Aparici, CBC Financial Infrastructure and Regulation Manager	The purpose of this talk was to present the results of the second Payment Systems Report (PSR), a publication that addresses recent trends related to the use of payment means and financial market infrastructures. The online event, held for background purposes, was attended by 22 participants.

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28 November	Regional Statistics of the Central Bank of Chile	Francisco Ruiz, CBC Macroeconomic Statistics Manager	This meeting featured a background presentation on the work carried out by the Statistics Division in expanding the availability and timely publication of regional data. The online meeting was attended by 9 participants.
11 December	Monetary Policy in Challenging Times	Deputy Governor Pablo García	This meeting analyzed how the world's main central banks had to manage their monetary policy decisions in a scenario of high inflation in the aftermath of the pandemic. The in-person meeting, held for background purposes, was attended by 18 journalists.




Statistics workshops for regions and universities

During the year, we organized lectures in regions and universities to disseminate the Bank's work in statistical matters. In the period, we gave talks on Monetary and Financial Statistics, Spots and Derivatives, Sectoral GDP, Regional GDP and the Household Finance Survey. These presentations were given in person and online, both in Santiago and in the regions.

The content of the talks was chosen to coincide with the topics of courses in the Business Administration and Management Control majors at the universities where the talks were given. All the presentations generated a fruitful exchange, supporting collaboration with regions and universities.

Organizations in which the CBC plays a significant role

GRI 2-28

Organization	Date of affiliation	Objective	Progress in 2023
Latin American Integration Association (ALADI) 	Founding member since 1980	Creation of networks.	Activities related to the operation and maintenance of the agreement and the operating system, in accordance with the organization's annual planning.
World Bank  BANCO MUNDIAL	1945	Creation of networks, access to knowledge, best practices, technical cooperation.	-Protocol visit by William Maloney, Chief Economist for the Latin America and Caribbean Region.
Bank for International Settlements (BIS) 	2003	Creation of networks, access to knowledge, best practices, technical cooperation.	<ul style="list-style-type: none"> - Conferencia "Big Techs in Finance: Implications for Public Policy". - Asistencia de la Presidenta de BCCh cada dos meses a reuniones en Basilea organizadas por BIS. - Green Swan Conference. - Participación en grupos y comités de la Oficina para las Américas. - Inicio del programa de pasantías "Secondments" en la Oficina para las Américas. - Participación en el Central Bank Governors Network. - Contribución académica en el programa "Central Banking in the Americas: Lessons from Two Decades". - Presidencia del Irving Fisher Committee.

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<p>Inter-American Development Bank (IDB)</p> 	1959	Creation of networks, access to knowledge, best practices, technical cooperation.	<ul style="list-style-type: none"> - Participation in the 57th Meeting of the Network of Central Banks and Finance Ministries of Latin America and the Caribbean. - Presentation of the book "Lidiar con la Deuda." - Participation in IDB Public Consultation. - Participation in IDB-Finnovista survey.
<p>Center for Latin American Monetary Studies (Cemla)</p> 	1952	Creation of networks, access to knowledge, best practices, technical cooperation.	<ul style="list-style-type: none"> -- Participation on the Audit Committee and Alternates Committee. - Participation in the Board of Governors, CXIV Meeting of Governors and Assembly. - Organization of the IV Meeting of Heads of Financial Risk Management in Central Banking. - Organization of the Meeting of Experts on Good Governance and Transparency: Fostering the Modernization of Central Banks. - Co-chair of the Financial Information Forum.
<p>Latin American Committee on Macroeconomic and Financial Issues (CLAAF)</p> 	2008	Creation of networks, access to knowledge.	No specific activities were carried out in 2023.
<p>Financial Stability Board (FSB)</p> 	Participation on the Standing Committee on Assessment of Vulnerabilities (SCAV) and the Regional Consultative Group for the Americas (RCG).	Creation of networks, access to knowledge, best practices.	In 2023, the CBC continued to participate in specialized working groups, discussions of technical documents, and surveys, addressing macro-financial topics, external risk monitoring, financial regulation, and emerging issues such as climate change and FinTech

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International Banking Research Network (IBRN)	"Secondments" internship program launched at the Office for the Americas.	Creation of networks, access to knowledge, technical cooperation.	No specific activities were carried out in 2023.
Institute of International Finance (IIF) 	Participation in the Central Bank Governors Network.	Creation of networks, access to knowledge.	No specific activities were carried out in 2023.
Latin American Reserve Fund (FLAR) 	Academic contribution in the program "Central Banking in the Americas: Lessons from Two Decades."	Financial services, best practices.	<ul style="list-style-type: none"> - Participation in the XVIII Annual Economic Studies Conference "Rethinking Monetary Policy in a World of High Uncertainty." - Participation in the Regional Forum on Instant Payments. - Participation in the Seminar "Recent Inflation Trends and Outlook in Latin America: Perspectives of Central Bank Technicians."
International Monetary Fund (IMF) 	Chairmanship of the Irving Fisher Committee.	Creation of networks, access to knowledge, best practices, financial services, technical cooperation.	<ul style="list-style-type: none"> - Participation in the Southern Cone Chair. - Participation in the IMF Spring Meeting. - Participation in the IMF Annual Meeting. - Participation in the IMF Missions to Chile.
International Network for Exchanging Experience on Statistical Handling of Granular Data (INEXDA) 	2018	Access to knowledge, technical cooperation.	-The Statistical Disclosure Control working group, coordinated by the Bank of Spain, was launched in June 2023. The group's objective is to review data anonymization and/or perturbation techniques and the outputs being used by central banks, in order to be recommend the best practices and technological tools available. A draft document was finalized, and revisions will continue in 2024.

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Central Bank Data Collaboration Group	2023	Initiative for sharing the experiences of different central banks in data use, storage, and exploitation.	<ul style="list-style-type: none"> - Participation in quarterly meetings of the Executive Committee. - Participation in the Annual Meeting. - Participation in working groups on artificial intelligence, FAME, and LLM.
International Operational Risk Working Group (IORWG) 	2019	Creation of networks, access to knowledge, best practices.	No specific activities were carried out in 2023.
Network for Greening the Financial System (NGFS) 	2021	Creation of networks, access to knowledge, best practices, technical cooperation.	<ul style="list-style-type: none"> - Increased participation in specialized working groups, leading research topics and initiatives. - Work contributions in the framework of the Workstream on Monetary Policy.
Official Monetary and Financial Institutions Forum (OMFIF) 	BCCh no es miembro, pero se relaciona con la organización desde 2010.	Creation of networks, access to knowledge.	<ul style="list-style-type: none"> -- Participation on the forum "Asset and Risk Management: Best Practices in a New Paradigm." - Contribution to the "Gender Balance Index."
Organization for Economic Cooperation and Development (OECD) 	2010	Creation of networks, access to knowledge, best practices, technical cooperation.	<ul style="list-style-type: none"> - Participation on the Committee on Statistics and Statistical Policy. - Participation on the Economic Policy Committee. - Participation on the Financial Stability Committee. - Participation in the annual conference "Global Economic Forum on Productivity." - Visit by the OECD Chief Economist at the seminar "Recent Economic

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			<ul style="list-style-type: none"> - Participation in working groups: Distributional Household Wealth, Natural Capital (EG NC), Financial Statistics (WPFS), Conference on National Economic and Financial Accounts (CNEFA), National Accounts (WPNA), Disparities in a National Accounts Framework (EG DNA), Extended Supply and Use Tables, Informal Advisory Group on Measuring GDP in the Digital Economy. - Participation in economic meetings.
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Chairmanship of the Irving Fisher Committee (IFC)

In 2023, CBC Deputy Governor Pablo García continued to serve as Chair of the Irving Fisher Committee on Central Bank Statistics (IFC) of the Bank for International Settlements (BIS), a position he assumed in 2022, for a period of three years.

This committee brings together economists and statisticians from BIS member central banks and international and regional organizations formally dealing with central banking issues. Its main objective is to share experiences on statistical developments, analytical methodologies, and best practices.

The IFC currently has 103 member institutions from 100 different countries. We have been part of the IFC since June 2006. In 2023, we joined the Central Bank Network on Historical Monetary and Financial Statistics (HMFS), which has been operating under the umbrella of the IFC since 2022. This working group brings together central bank statisticians and academic experts who study long-term historical monetary and financial data of interest for decisionmaking.

Based on our participation in this network, we are co-organizing the workshop “Carbon Content Measurement for Products, Organizations, and Aggregates: Creating a Sound Basis for Decision Making,” to be held on 21-23 February 2024 in Germany.

As of February 2024, Board Member Alberto Naudon is chairing the Irving Fisher Committee.

6. A Diverse Entity



- Progress on the 2023–2027 Strategic Plan
- Staff
- MT: Talent Attraction and Retention
- MT: Diversity, Inclusion, and Gender Equity
- MT: Workplace Conditions and Well-being
- MT: Intellectual Capital, Training, and Development

Progress on the 2023–2027 Strategic Plan



We, as an organization, want to be able to promote people's growth and adaptive capacity, as well as to make headway on incorporating the knowledge we will need in an environment of constant change.

Priority 3 Enhance the development of the Bank's people

Objective

Attract and develop talent in a planned and sustainable manner, promoting adaptive development in the organization.

Initiative 3.1

Attract, develop, and inspire talented people, with a strong sense of purpose, characteristic of the Central Bank.

Progress in 2023

- For the implementation of personal development plans, priority areas were defined in conjunction with sponsors in the policy maker and cybersecurity profiles.
- The alternate positions were identified and validated as a first step, and the scope of the initiative is currently under review.

Level of progress

100% in relation to the plan for 2023.

Initiative 3.2

Promote adaptive capacity in people, valuing diversity and ensuring work-life balance

Progress in 2023

- To promote adaptive capacity, the Bank conducted an assessment of workplace harmony and provided best practices training for managers.
- The Women in STEM Program already has a value proposition that will encourage the participation of IT women in undergraduate and Ph.D. programs in economics.

Level of progress

100% in relation to the plan for 2023.

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Staff

GRI 3-3

MATERIAL TOPIC: TALENT ATTRACTION AND RETENTION

Management approach

We seek to attract people of excellence for the Bank, who are motivated and committed to the achievement of our institutional objectives and values.

To select and hire the best applicant, who presents the best fit for the position and the institution, allowing equal opportunities to all applicants who meet the requirements.

Policies and regulations

- Recruitment and Selection Procedures
- Recruitment and Selection Policy

Key numbers

- 755 people at the Bank
- 76 student interns
- 102 new hires
- Average tenure: 9.76 years.

Governance

- Personnel Area

Milestones in the year

- Talks by the Bank's young professionals in different educational institutions, with a focus on attracting talent.
- Internship program, "Tu Práctica es Central," which aims to provide a learning experience that also serves as an early talent attraction program.
- Internships for women in STEM, second half 2023.
- Participation in job fairs at different universities and professional institutes nationwide.

Future challenges

- Strengthen the employer brand in order to reach people who meet the Bank's current requirements.
- To develop people with different job offers that allow them mobility, so that they can use their knowledge and experience to take on new challenges.

As a public service institution, the Central Bank has a culture based on the values of commitment, excellence, integrity, transparency, respect, and diversity. We want all the people who are part of our institution to feel proud to be doing meaningful and quality work to contribute to the stability of the economy and, therefore, to the welfare of all Chileans.

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Direct personnel

GRI 2-7



99.7%
permanent employees

99.6%
full-time employees

755¹ employees
93% Chilean and 7% foreign

Internal staff

Categoría	Hombres		Mujeres		Total	
	N°	%	N°	%	N°	%
Board	3	60%	2	40%	5	0,7%
Senior management	6	60%	4	40%	10	1,3%
Middle management	93	68%	43	32%	136	18%
Professional and administrative	360	64%	202	36%	562	74,4%
Service staff	39	93%	3	7%	42	5,6%
Total	501	66%	254	34%	755	100%

Excluding the Board, a total of 748 people in our organization live in the Metropolitan Region, while 2 live in the Valparaíso Region. Additionally, 79% had hybrid schedules in the year, and 21% were fully in-office.

New hires and turnover

GRI 401-1

In 2023, 102 people joined our team. Of these, 66.6% are men and 33.3% are women. Also, 50.9% of our new members are between 30 and 50 years of age.

NEW STAFF

Age	Men		Women		Total	Hiring rate Total
		Hiring rate Men		Hiring rate Women		
Under 30 years	23	3%	14	2%	37	5%
30-50 years	37	5%	15	2%	52	7%
Over 50 years	8	1%	5	1%	13	2%
Total	68	9%	34	5%	102	14%

¹ The Board is not personnel hired by the Bank, so it is only included in summations that are segmented by category.

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TURNOVER

Rangos etarios	N° Hombres	Tasa de contratación hombres	N° Mujeres	Tasa de contratación mujeres	N° Total	Tasa de contratación total
Under 30 years	6	1%	5	1%	11	2%
30-50 years	25	3%	12	2%	37	5%
Over 50 years	7	1%	4	1%	11	2%
Total	38	5%	21	3%	59	8%

External personnel

GRI 2-8

Our relationship with external workers, as with our direct employees, is based on respect for our institutional values. The main functions performed by external staff, who are employed by suppliers, are cleaning, security, food services, and infrastructure maintenance.

EXTERNAL PERSONNEL

Year	N° of external workers
2021	327
2022	331
2023	295

Internship program: Tu Práctica es Central

CBC 9

Our internship program is one of our strategies for the early attraction of talent. It is aimed at approaching, identifying, and assessing the performance and potential of students in technical and professional majors, who meet the Bank's standards of academic excellence, competence, and values.

Through this program, we seek to discover and train the best young talent to join the Bank in the future, with proven knowledge and performance aligned with organizational needs.

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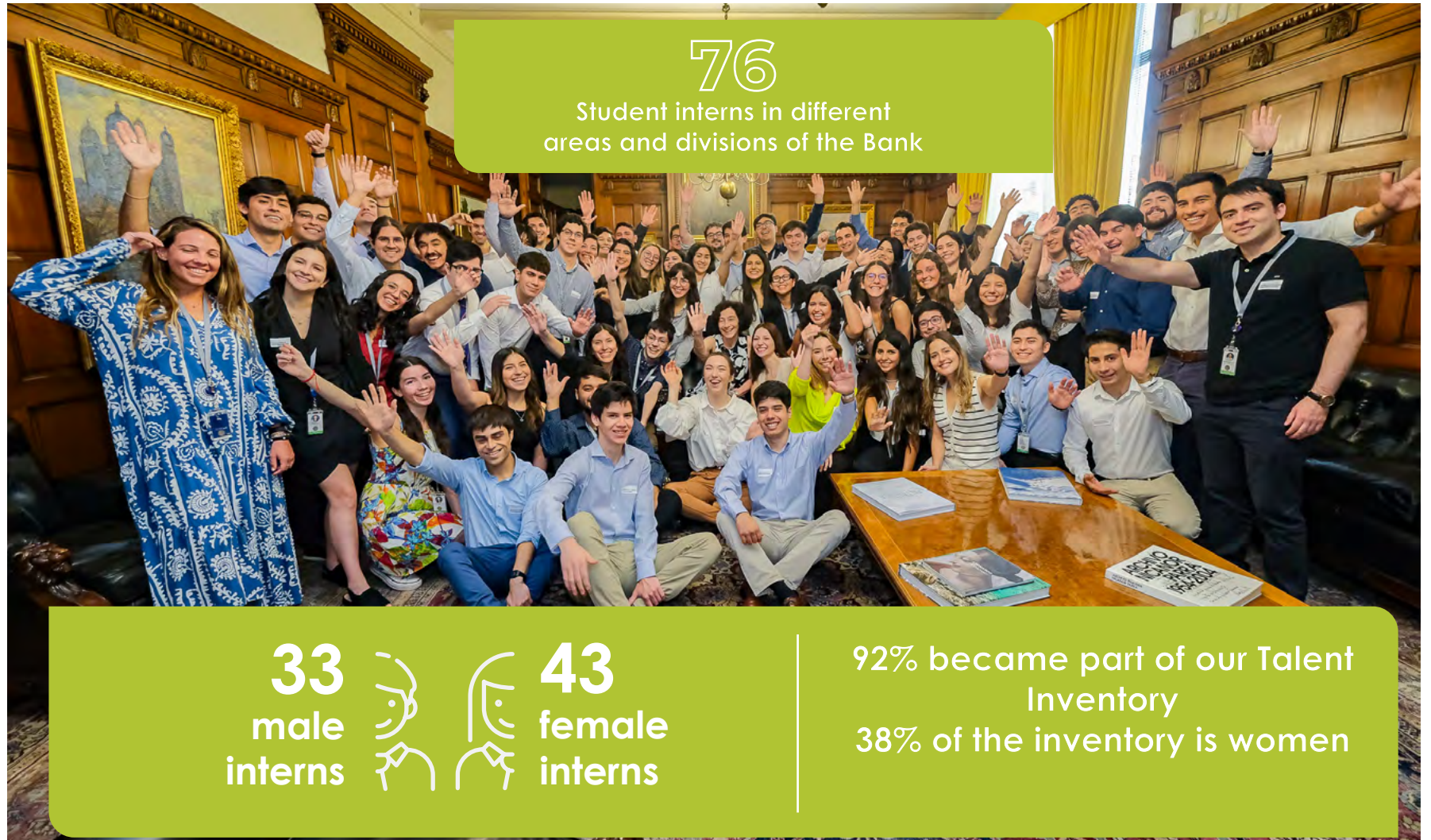
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In line with initiative 3.1 of our Strategic Plan, we seek to develop and inspire talented people who have a strong sense of purpose, characteristic of the Bank. This is why we encourage young women professionals to pursue careers in fields that are traditionally dominated by men, such as economics, finance, information technology, and operations.



Nota: El Inventario de Talentos es un repositorio de potenciales candidatos previamente entrevistados por la Gerencia de Personas, que cumplan y se adecuen a los lineamientos generales establecidos por el Banco para sus funciones.

Diversity, Inclusion, and Gender Equity

GRI 3-3

MATERIAL TOPIC: DIVERSITY, INCLUSION, AND GENDER EQUITY

Management approach

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.

Policies and guidelines

- Recruitment and Selection Procedures

Key numbers

- 34% women in the organization.
- 58% women in the mentoring program.
- 20 women in STEM areas.

Governance

- Personnel Area

Milestones in the year

- Second place in the Great Place to Work for Women ranking.
- Positioning as an employer brand in the 2023 Top of Mind survey.

- Collaboration with the Official Monetary and Financial Institutions Forum and the Ministry of Women's Affairs.
- Participation in the BIS Diversity and Inclusion Network in the Americas Workshop.
- Participation in the XV CEMLA Human Resources Management Meeting.

Future challenges

- Continue to increase the share of women in our organization, with a focus on leadership positions.
- Extend diversity and inclusion to all groups in the Bank.

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Diversity

At the Central Bank, we are convinced that diverse work teams contribute significantly to our organization's objectives. We therefore promote the incorporation of people of different genders, ages, and nationalities in our institution.

Main diversity indicators

GRI 405-1

Diversity variables	2022		2023	
	N°	%	N°	%
Gender				
Men	467	66%	498	66%
Women	241	34%	252	34%
Age				
Under 30 years	103	14%	112	15%
30–50 years	454	64%	477	64%
Over 50 years	151	21%	161	21%
Nationality				
Chilean	657	92%	697	93%
Foreign	51	7%	53	7%
Disability				
People with disabilities	0	0	0	0

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Promotion of gender equity

CBC 17

We seek to be an employer of excellence that attracts and engages the best talent, promoting female representation through various transparency and non-discrimination tools. One of these tools is the set of Recruitment and Selection Procedures, which promotes the representation of both genders in all stages of the selection process, including shortlists of candidates. This, together with other actions, encourages and promotes a healthy gender equity in the CBC.

During the year we carried our various activities and initiatives to strengthen the participation of women in our institution:



GREAT PLACE TO WORK FOR WOMEN

For the third time, the Great Places to Work (GPTW) survey incorporated a gender focus, distinguishing companies and organizations that have implemented policies to promote female employment, reduce the wage gap, and ensure work-life balance.



Progress in 2023

In this round of the survey, we maintained our second-place ranking, first earned in 2022, in the category of medium-sized companies, which groups organizations with 251 to 1,000 employees. This achievement is thanks to the efforts of all the areas of our organization.

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Mentoring CBC 8



As a tool for developing and strengthening leadership with a gender focus, at the CBC we have a mentoring program focused on professionals, senior professionals, and new managers. This is an important seedbed for developing new leaders in our institution, aligned with new management models and with our organizational values and culture. Since its inception, this program invites an equal number of women and men to participate as mentees.

Progress in 2023

In 2023, 19 people participated in the program. 58% percent of the mentees in the program are women, surpassing the participation rate of previous years.

Participation in job fairs



Participation in job fairs allows us to strengthen our employer brand as one of the best places to work for university students and graduates. It also allows us to reduce the time and costs of the recruitment and selection processes.

Progress in 2023

Asistimos a 7 ferias laborales en distintas casas de estudio: We attended 7 job fairs at different universities:

- Universidad Diego Portales University
- Catholic University of Chile
- University of Chile
- University of Santiago
- Duoc UC

Women's leadership in the sector

One of the priorities of the 2023-2027 Strategic Plan is directly associated with the participation of women in STEM (science, technology, economics, and mathematics) areas in the Bank's Technology and Research departments, with the objective of promoting and increasing female participation, promoting the attraction of women and their professional development.



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Women in STEM areas

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In addition, in 2023, we developed two trainings on the integration of women in STEM areas:

Workshop	Description	Number of participants
Sisterhood and Empowerment of Women in STEM	The objective was to highlight and analyze the barriers faced by women in the workplace and to obtain concrete tools to promote collaboration.	17
Female Talent and Affective Interventions STEM	The objective was to identify and strengthen the personal leadership skills needed to face challenges and acquire tools to mobilize change	11

Gender Balance Index

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

In its tenth year, the index covered 336 financial institutions around the world, including 186 central banks. The CBC moved up 3 positions relative to last year, currently standing at 15th in the ranking of central banks. Governor Rosanna Costa was invited to contribute an opinion column to the Gender Balance Index (GBI) report. Currently, there are 22 women at the head of central banks worldwide.

Governor Rosanna Costa's opinion column, entitled "Empowering Women for the Good of Society," emphasizes that change in the area of gender and equality must take place professionally, economically, and culturally. She states that female empowerment implies justice, inclusion, respect, and recognition of diversity. Finally, she notes that while the Central Bank of Chile has been making progress, we still have a long way to go, so we will continue to strive to move forward in this area.



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Main milestones in the promotion of gender equity and women's leadership in the sector

1 Strengthening the pool of pre-evaluated Talent Women to be invited to selection processes.

2 Positioning as an employer brand in the Top of Mind 2023 survey.

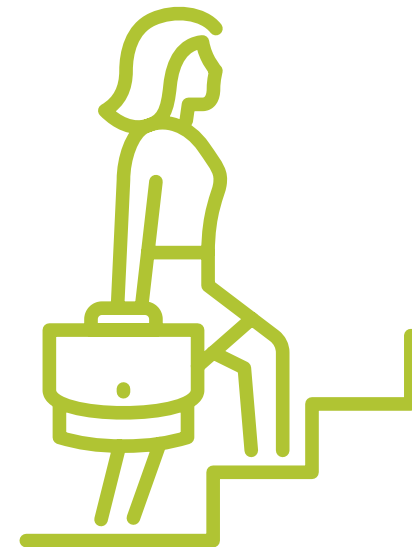
3 Collaboration with the Official Monetary and Financial Institutions Forum (OMFIF) and the Ministry of Women's Affairs.

4 Organization of talks for students and young professionals with women leaders in science and economics.

5 Presentation on progress and challenges in the gender agenda, given at institutions such as the Central Bank of Paraguay, the Business Association of Valparaiso, and CEMLA.

6 Participation in the BIS Diversity and Inclusion Network in the Americas Workshop.

7 67% of women in STEM positions at the CBC attended the 2023 Summer School session at the Center for Monetary and Financial Studies (CEMFI) in Barcelona, Spain





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Pay equity

GRI 405-2

At the CBC, we have been committed for years to ensuring that people, regardless of their gender, are paid the same salary when they perform similar functions to others. Thus, today we have minimal pay differences in each job category, which reflect length of tenure in our institution.

Base salaries and gender pay gap²

GRI 201-1

Job category	Average base salary of men (CLP)		Average base salary of women (CLP)		Ratio	
	2022	2023	2022	2023	2022	2023
Senior management	17,075,640	18,945,733	15,643,503	18,416,633	92%	97%
Middle management	7,327,092	7,807,638	6,655,991	7,205,196	91%	92%
Professional and administrative	3,534,925	3,729,073	3,340,101	3,617,994	94%	97%
Service personnel	1,230,384	1,369,949	1,090,586	1,200,095	89%	88%

² The job categories include positions with different levels of responsibility, which produces margins of difference. When comparing equivalent positions, the gender pay gap is nonexistent and/or there is equity.

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Annual compensation ratios

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 for the different areas and positions.

Category	2022	2023
Total annual compensation of the highest-paid person (CLP)	215,436,636	246,961,464
Median total annual compensation for all of the organization's employees ³ (CLP)	40,713,432	43,513,572
Total annual compensation ratio	5.29	5.68
Increase in total annual compensation of the highest-paid person (%) ⁴	5.70%	15.36%
Median increase in total annual compensation for all of the organization's employees (%)	14.28%	6.90%

Ratios of entry-level pay to local minimum wage⁵

GRI 202-1

Men			Women		
Starting salary (CLP)	Minimum wage (CLP)	Ratio	Starting salary (CLP)	Minimum wage (CLP)	Ratio
916,950	460,000	1.99	916,950	460,000	1.99



³ Excluding the highest-paid person.

⁴ Excluding the highest-paid person.

⁵ The local minimum wage is the legal minimum wage in Chile.

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Workplace Conditions and Well-being

GRI 3-3, CBC 19

MATERIAL TOPIC: WORKPLACE CONDITIONS AND WELL-BEING

Management approach

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 in the pursuit of the institutional objectives.

Policies and regulations

- Comprehensive Safety Policy.
- Occupational Health and Safety (OHS) Management System Manual.
- Hybrid work standards.

Key numbers

- Score of 83% on the Great Place to Work survey.
- 100% of direct employees and external workers are covered by the Occupational Health and Safety Management System.
- 0 serious accidents.

Gobernanza

- Labor relations are coordinated with the union via the Quality of Life and People Analytics Department, in the Personnel Area.

Milestones in the year

- Participation in the Ministry of Health's campaign on mental health in the workplace "Tell me: A Safe Place to Talk about Mental Health."
- Participation in the Work Environment and Mental Health Assessment Questionnaire.

Challenges

- In 2024, we expect to maintain good relations between the union and the Bank's management, through continuous dialogue and joint work.

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Work environment and Great Place to Work

For our organization, the internal work environment has always been tremendously important in the construction of a culture of trust, motivation, and excellence. To implement it, we have measurement and management systems in the areas of people's health and benefits.

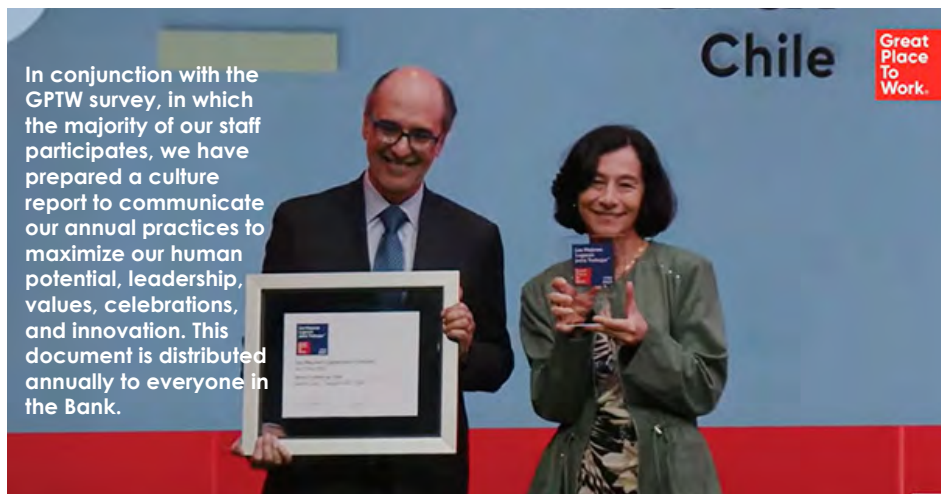
Measuring the work environment

CBC 15

As in past years, we used the annual Great Place to Work (GPTW) survey to monitor our work climate.

What does the GPTW survey consider?

The Great Place to Work model postulates that internal trust is built through people's positive perceptions of their boss, their peers, and the organization as a whole. The main work is done by each manager together with their teams, taking the work environment as a key factor that promotes job satisfaction and productivity.



Results

In 2023, 80% of our employees participated in the survey (557 responses).

As a result, we obtained an 83% positive rating, which earned us the certification of being one of the Best Places to Work in Chile.

The most positive opinions towards the organization are concentrated mainly on issues associated with pride in belonging to the Bank, internal ethics and non-discrimination, sense of country, and excellence of the organization.

GPTW survey results

Year	Result
2021	83%
2022	82%
2023	83%

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People's health

Health and safety management system

GRI 403-1, 403-4



Through our [Comprehensive Safety Policy](#), we seek to preserve our institutional objectives and our operational continuity, providing adequate protection for people so as to prevent and reduce the risk of harm.

The CBC has had ISO 45001:2018 occupational health and safety certification since 2009. This system allows us to implement an integrated process approach, which highlights our organization's commitment to the protection of the Bank's people, based on regulatory standards in accordance with Law 16,744.

This scope of the system covers all our employees, visitors, and third-party service providers and applies to all activities of our institution, including:

- Operations
- Infrastructure maintenance
- Contracted services
- Staff recreation centers

Our health and safety management system integrates consultations and participation of those who work in the Bank, which has contributed to the implementation of actions to improve accident prevention. This is developed mainly through the areas of Risk Prevention and the Bank's Joint Health and Safety Committee (JHSC).

We ensure the participation of the Bank's staff in the Health and Safety Management System through:

- JHSC meetings.
- Initial project coordination meetings in the different Bank facilities.
- Training, work, and dissemination meetings on risk assessment.
- Incident analysis and investigations.
- OSH policies and objectives.
- Appointment of employee representatives.

We communicate progress and information about the services we provide through:

- Induction Process.
- Bank's website.
- Intranet.
- SharePoint collaborative site.
- E-mail.
- PSO Platform.
- Accident reports.
- Nonconformity and Corrective Action Records.

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People covered by the health and safety management system

GRI 403-8

	2021		2022		2023	
	N°	% of total	N°	% of total	N°	% of total
Direct employees						
Covered by the health and safety system	718	100%	708	100%	750	100%
Covered by the health and safety system, subject to internal audit	718	100%	708	100%	750	100%
Covered by the health and safety system, subject to third-party audit or certification	718	100%	708	100%	750	100%
External personnel						
Covered by the health and safety system	327	100%	331	100%	295	100%
Covered by the health and safety system, subject to internal audit	327	100%	331	100%	295	100%
Covered by the health and safety system, subject to third-party audit or certification	327	100%	331	100%	295	100%

Health and safety services in the workplace

GRI 403-3,403-6

The CBC offers in-person and telehealth first aid services, managed by a health professional. We also have medical care coverage for our members from the Chilean Mutual Health Association (ACHS).

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To contribute to the strengthening of the health and well-being of our personnel, we offer a set of health services and programs, including:



Sports medicine

Program dedicated to promoting physical health care with a sports focus, with support from professional specialists.



Preventive medicine

Program dedicated to promoting preventive health care for the Bank's staff, offering a variety of examinations and feedback from a specialist.



Vaccination program

Aimed at people who are not part of the national vaccination programs.



Healthy food service

Oriented to the provision of the main nutritional indicators for each alternative on the food menu



Hazard identification and accident investigation process

GRI 403-2, 403-7

After the occurrence of an incident, we record the basic details and inform the Joint Health and Safety Committee, which will then investigate and analyze the event in accordance with the incident investigation procedure and the hazard and risk identification methodology.



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WORK-RELATED INJURIES AND ILLNESSES

GRI 403-9, 403-10

	2021		2022		2023	
	N°	% of total	N°	% of total	N°	% of total
Direct employees						
Hours worked per person	718	-	708	-	750	-
Fatalities as a result of work-related injuries	0	0	0	0	0	0
High-consequence work-related injuries	0	0	0	0	0	0
Recordable work-related injuries	1	0,14	1	0,14	4	0,55
Fatalities as a result of work-related illnesses	0	0	0	0	0	0
Cases of recordable work-related illnesses	0	0	0	0	0	0
External personnel						
Hours worked per person	327	-	332	-	295	-
Fatalities as a result of work-related injuries	0	0	0	0	0	0
High-consequence work-related injuries	0	0	0	0	0	0
Recordable work-related injuries	3	0,42	3	0,42	11	1,54
Fatalities as a result of work-related illnesses	0	0	0	0	0	0
Cases of recordable work-related illnesses	0	0	0	0	0	0

The main injuries due to work-related accidents identified for external personnel are:

- Falling and stumbling
- Blows due to falling objects
- Cuts with sharp objects
- Working at height
- Medium- and high-voltage electrical hazard
- Welding hazards

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Health and safety training

GRI 403-5

As in other institutions, health and safety training is essential at the CBC to ensure the well-being of our people and maintain a safe working environment, based on a culture of precaution.

The main health and safety training and courses organized in 2023 were:



Course	Type of training
First Response to Health Emergencies	General training
Dramatization "Knowing My Workplace"	General training
Telework Health and Safety Management	General training
Mental Health Vision and Best Practices	Specific training
Noise Protection in the Workplace	Specific training
Bicycle Safety	Specific training
Ergonomics and Self-Care at Work	Specific training
Manual Handling of Heavy Loads	Specific training
Asbestos and Associated Risks	Specific training
Defibrillator Course	Specific training
Incident Investigation Techniques	Specific training
ISO 45001 OSH Management System Course	General training
Self-care and Stress Management	General training
Emotional Support	General training

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Tell me: A Safe Place to Talk about Mental Health

In line with our goal of promoting the well-being and quality of life of our employees, in 2023 we joined the campaign on mental health in the workplace "Tell me: A Safe Place to Talk about Mental Health."

This initiative, spearheaded by the Ministry of Health and ACHS, seeks to raise awareness on mental health problems nationwide, particularly in the workplace. It also provides information on how to recognize the most common problems we face: stress, depression, anxiety, and sleep problems, as well as advice on habits that can help prevent them. Our staff learned about the relevance of emotional well-being and the timeliness of facilitating conversations on these topics.

Given the importance of and interest in self-care habits, tips, and prevention practices, in 2024 we will continue to address these issues through a new Occupational Health Program.

This initiative is part of the annual occupational health and safety program and is directly related to the work-life balance initiative of our Strategic Plan.



Work Environment and Mental Health Assessment Questionnaire

Between 31 July and 14 August, we applied the Work Environment and Mental Health Assessment Questionnaire, an initiative of the Superintendence of Social Security to measure risk factors in the workplace that have an impact on health.

This survey replaces the psychosocial risk survey of the Trade Union Institute of Work, Environment and Health (ISTAS) and incorporates the physical factors to which workers may be exposed, the psychological dimension, and social relations within the organizations.

At the CBC, 78% of our employees participated in the survey.

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Main results

The survey covers 12 dimensions. Of these, the best evaluated for our organization, that is, those with a low level of risk, were:

- Quality of leadership
- Safety with working conditions
- Trust and organizational justice
- Violence and harassment

These dimensions, due to their good results, are considered protective factors against psychosocial risks.

Among the aspects to be improved in the overall result, there are two dimensions in which the results revealed medium and high risk levels:

- Vulnerability
- Workload

In accordance with the protocol, the Bank's Implementation Committee coordinated discussion groups, whose conclusions were submitted to the ACHS. The latter provided advice on drawing up action plans to be implemented and monitored until the next evaluation in 2025. These actions will be complemented with the initiatives that are being developed in the "work-life balance" action line under the 2023-2027 Strategic Plan.

Benefits

The CBC provides benefits for our direct personnel, in addition to their salaries, to reward them for the hard work they do every day in our institution and, therefore, for the welfare of the country.

Personnel benefits

GRI 401-2



All these benefits are available to full-time employees. Part-time employees receive 50% of the amount for each benefit, with the exception of national and international scholarships, which are not offered to temporary or part-time personnel.

Flexible remote work and adoption of the hybrid model

CBC 6


In consideration of current work models and people's behavior and interests, we have identified the needs of the different positions in the Bank and assessed their compatibility with the new models. We have thus been able to maintain a hybrid work system that applies to 79% of our staff. The model is standardized and has been reinforced with digital competencies, self-management, teamwork, leadership, and flexibility.

Hybrid work culture initiatives



Flexible hours

Authorization for late arrival time when feasible, by individual request.




Talks

Virtual talks on quality of life and work-life balance for the entire Bank.




Discussions

Virtual discussions on issues related to health crises.




Telework survey

Virtual survey to capture the perception of telework and work-family balance with the hybrid mode.



Systematization of request procedures

Virtual survey for systems development with consideration and approval flows for hybrid work requests.



Other measures

Delivery of equipment and monetary allowance for people performing hybrid work under the defined standard.

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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. In both cases, the leave is handled in accordance with the provisions of the Labor Code.abajo.

Parental leave 2023

Gender	Employees eligible for parental leave	Employees who took parental leave	Employees who returned after parental leave	Return rate	Employees who stayed with organization ⁶	Retention rate
Men	498	0	—	—	—	—
Women	252	6	6	100%	5	83%
Total	750	6	6	100%	5	83%

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.

The union benefits are extended to all nonmanagerial employees, regardless of their union membership status.



Unionization

Unionization indicators	2021	2022	2023
Employees covered by a collective agreement	607	641	695
Percent of employees covered by a collective agreement	96%	94.5%	93%

⁶ Employees who returned from parental leave and were still employed 12 months later.

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Intellectual Capital, Training, and Development

GRI 3-3

MATERIAL TOPIC: INTELLECTUAL CAPITAL, TRAINING, AND DEVELOPMENT

Management approach

To strengthen the Bank's value proposition to employees and potential employees, through the execution of a system that supports their comprehensive development.

Policies and regulations

- Strategic Talent

Key numbers

- 100% of the security staff received human rights training.
- 12 employees received national scholarships.
- 2 employees received international internships.

Governance

- Personnel Area

Milestones in the year

- Redefinition of personal development plans.

Challenges

- Deploy our value proposition with equal opportunities for all, enhancing technical, relational, and leadership skills.
- Establish career development plans for key areas of the Bank.
- Strengthen digital competencies and innovation in the teams.

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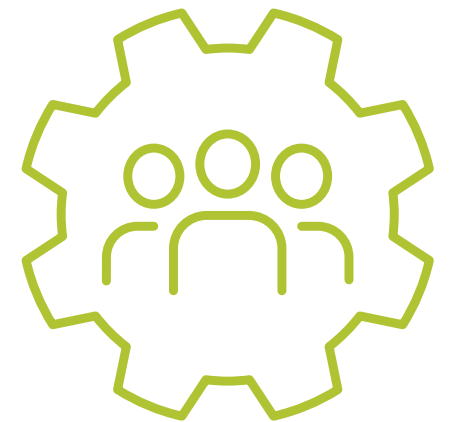


Education level

The level of education of our staff is relevant in terms of their ability to manage economic and financial complexities, thereby ensuring informed decisions and promoting the economic stability of the country. Advanced academic training also fosters innovation and adaptability, key elements to face the challenges of complex and ever-changing contexts.

Education level of Bank personnel

Education level		2021	2022	2023
% with a bachelor's degree	Men	2.1%	3.6%	4.9%
	Women	4.2%	2.2%	6.3%
% with a bachelor's degree	Total	6.3%	5.9%	5.4%
% with a master's degree	Men	8.1%	15.0%	17.3%
	Women	18.7%	7.3%	18.9%
% with a master's degree^a	Total	26.7%	22.3%	17.8%
% with a Ph.D.	Men	1.3%	5.8%	6.3%
	Women	5.2%	1.0%	2.7%
% with a Ph.D.	Total	6.4%	6.7%	5.1%



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Training

GRI 404-, CBC 10

In 2023 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.



Average hours of training per person

Position	2021 ⁷		2022 ⁸		2023	
	Men	Women	Men	Women	Men	Women
Senior management	54.39	60.13	14.5	14.5	13.5	17.75
Middle management	54.39	60.13	41.82	41.82	34.63	39.51
Professional and administrative	54.39	60.13	47.78	47.78	47.58	52.68
Service personnel	54.39	60.13	66.1	66.1	21.96	5.17

⁷ Data are not disaggregated by segment because the categories were different (C-suite and upper managers, department managers, group managers, professional, technical/administrative).

⁸ Data are not disaggregated by gender, as it was not incorporated at that time.

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We have the following programs to improve the skills and knowledge of our staff:

GRI 404-2

Program	Description	2022		2023	
		beneficiaries	% of total staff	beneficiaries	% of total staff
English program	The objective of this program is to deliver the necessary English-language tools for meeting the Bank's objectives.	101	14.20%	87	11.52%
Leadership Academy	The Leadership Academy provides support for leaders, so that they can develop important skills and share experiences with their peers.	155	21.70%	143	18.94%
Specific programs by unit	These programs provide specific technical and/or adaptive tools that help people achieve the objectives of their current position.	299	41.90%	424	56.16%

Additionally, external workers who provide services to the Bank, in particular security services, receive human rights training:

Human rights training

GRI 410-1

Personnel who received human rights training	Indicator
Total number of security personnel	22
Number of security personnel who received formal training or specific procedures in 2023 on human rights and their application to security	22
Percentage of security personnel who received formal training or specific procedures in 2023 on human rights and their application to security	100%

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Continuing education

Annually, the organizational development team holds Strategic Talent Planning meetings with all the Bank's managers, separated by division. This exercise, which allows us to systematically review the main challenges related to people development at the level of divisions, departments, and the Bank as a whole, allows us to define strategies for each division and plans for the current year that support the achievement of the strategic objectives.



Employees benefiting from scholarships

Type	Description	2022		2023	
		Men	Women	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.	11	1	11	1
International scholarships	Scholarships for pursuing post-graduate studies abroad aim to deliver the necessary tools for people's development in areas that are fundamental for the Bank's work	3	1	0	0
International scholarships	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	1	1

Individual Development Plan at 100%

Individual development plans, which are agreed between employees and their direct boss, reflect an employee's particular development and future needs, so as to contribute more substantially to the organizational objectives. In 2023, personal development plans were redefined to mobilize broad cultural aspects, related to the 2023–2027 Strategic Plan, through the creation of "Culture Development Plans." The categories for establishing plans are digital skills and tools; collaboration, independence, and productivity; workplace harmony; and sustainability.

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Career development

Annually, the organizational development team holds Strategic Talent Planning meetings with all the Bank's managers, separated by division. This exercise, which allows us to systematically review the main challenges related to people development at the level of divisions, departments, and the Bank as a whole, allows us to define strategies for each division and plans for the current year that support the achievement of the strategic objectives.

Performance evaluation

GRI 404-3

Every year, we conduct a performance evaluation process, which in 2023 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.



Number of people who received performance evaluations

Position	2022			2023		
	Men	Women	Total	Men	Women	Total
Senior management	5	6	11	6	4	10
Middle management	38	75	113	91	42	133
Professional and administrative	179	300	479	334	180	514
Service personnel	0	39	39	20	3	23
Total	222	420	642	451	229	680

7. Community Connections



- Progress on the 2023–2027 Strategic Plan
- Stakeholders
- A Year of Strengthening in Other Regions
- Regional Statistics
- Main Digital Diffusion Channels
- Financial Education and Inclusion
- Cultural Outreach and Heritage

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As an institution, we owe it to the public to be able to communicate what we do and give them our best, which includes working in a sustainable environment and communicating in a simple and effective way. We intend to continue deepening our work in financial education, providing tools so that people can make better and more informed decisions.

Priority 4

Strengthen the commitment and ties to the community

Objective

Maintain the Bank's position as a valued and trusted institution, which builds closer ties to the community.

Initiative 4.1

Incorporate the concept of sustainability in all aspects of our work, with the full commitment of the entire organization and its members, reflecting the Bank's Sustainability Policy.

Progress in 2023

In the context of expanding the concept of sustainability, the "Sustainable Cafeteria" and "Coffee Grounds" projects were launched, in which the Bank's employees deliver biodegradable waste from the cafeteria and coffee grounds from the break rooms, which is returned as free compost for the staff, so as to make a social and environmental contribution.

Initiative 4.2

Make institutional communications more effective, expanding the dialog with stakeholders and incorporating new audiences.

Progress in 2023

To make communications more effective and incorporate the results of the listening workshops held in the regions in 2022, six "Feedback Workshops" were held with key stakeholders between October 2023 and January 2024, in the regions of Tarapacá, Antofagasta, Valparaíso, Biobío, Los Lagos, and Magallanes. Internally, the formation of a communications counterpart committee was completed, composed of professionals from each area of the Bank, who will act as "ambassadors" for their units. The objective is to strengthen the generation of content from their own areas and thus contribute to the institutional discourse.

Initiative 4.3

Share the Bank's work with the community, increasing confidence in the fulfillment of our mandate.

Progress in 2023

To share our work with the community, we began a new line of work in the area of financial education, with in-person and online workshops to be held in municipalities throughout Chile. In relation to the commemoration of the Bank's Centennial, the Board approved the proposed work program, which will be carried out in part of 2024 and all of 2025

Stakeholders

GRI 2-29

At the CBC, we define our stakeholders as all individuals or organizations that could affect or be affected by our work in fulfilling the Central Bank's institutional mandate.

Objectives of stakeholder relations



**POSITION THE BANK'S
OBJECTIVE AND**



**STRENGTHEN ITS CORPORATE
REPUTATION**



**RAISE AWARENESS ON THE
INSTITUTION'S ROLE AND
FUNCTIONS**



**REINFORCE OUR EMPLOYEES'
COMMITMENT**



**ATTRACT TALENT TO THE
ORGANIZATION**



**INCREASE CONFIDENCE IN THE
BANK'S WORK**

In accordance with our mandate, we at the CBC are committed to being accountable to society and our stakeholders. To this end, we have a [Communication Policy](#), which focuses on equal in access to timely information and has ten principles that guide our actions.

To strengthen the transparency of our activities and foster a better understanding of economic and financial phenomena, as well as the decisions we make in the institution, we use a variety of channels and platforms to better connect with our stakeholders and with the country.

Main stakeholder groups

AUTHORITIES

- Legislative branch
- Executive branch

SECTOR PRIVADO

- Trade bodies (ABIF, CPC, SOFOFA, CNC, CChC)
- SMEs

SECTOR LABORAL

- Labor unions
- Job portals

INSTITUTIONAL SECTOR

- Financial Market Commission (CMF)
- National Economic Prosecutor's Office
- Competition Tribunal
- Judicial branch

SECTOR FINANCIERO

- Banks
- Stockbrokers
- Pension fund managers
- Compensation funds
- Credit unions
- Insurers
- Mutual and investment fund managers
- Fintechs

ACADEMIC SECTOR

- Universities
- Economics and business administration departments
- Think tanks
- Professional institutes
- Technical training centers
- Schools

SECTOR SOCIAL

- CITIZENS
- NGOS
- CIVIL SOCIETY

INTERNATIONAL SECTOR

- Central banks in other countries
- International Monetary Fund (IMF)
- World Bank
- Bank for International Settlements
- Inter-American Development Bank
- Center for Latin American Monetary Studies (CEMLA)
- Organization for Economic Cooperation and Development (OECD)
- Other international organizations

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Memberships

GRI 2-28

To strengthen and optimize our relations with other entities like ours, we actively participate in regional and global associations. These relationships are fundamental to achieving our institutional objectives and are developed within our management powers, aligned with our institutional strategy and the foreign policies of the Government of Chile. Since 2021, we have an International Relations Policy that governs our actions in this area, based on five underlying principles.



1 International relations should be based on the value they add to the Bank, in the short, medium, or long term.

2 The most recurrent relations with international organizations are expressed in agreements that establish common objectives, areas of collaboration and committed resources, where applicable.



3 The signing of these agreements should be evaluated in advance based on the value they bring. These criteria should also be used to periodically evaluate existing international relations.

4 International relations are regularly monitored and evaluated by the Bank's Board with the support of the International Affairs Unit.



5 International relations are part of the public information provided by the Bank. In particular, the external bodies in which the Institution participates, our appointed representatives, and the purposes of the relationship, including with other central banks, are published on the website.

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A Year of Strengthening in Chile's Regions

As an autonomous institution, we understand the importance of informing society of the activities we carry out in order to fulfill our constitutional mandate. As part of this objective, since 2003 we have held regional meetings with local authorities, academics, university students, representatives of unions and social organizations, businesspeople, executives, entrepreneurs, and other relevant actors. Our objective is to generate and enrich links with the community through the dissemination of the main reports we prepare, such as the Monetary Policy Report (IPoM) and the Financial Stability Report (FSR), financial education workshops, and other information prepared by the Bank that may be of interest to the regions and different stakeholders.

The regional deployment of these reports reflects the key points addressed in our [Communications Policy](#).



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In 2023, we placed more emphasis on taking the Bank's contribution in terms of reports, studies, and data to various groups throughout Chile. In total, we made 33 presentations in 10 cities across the country.

Regional presence in 2023

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Report	Presenter	Region	Partner institution	Date	N° of participants present
IPoM	Pablo García	Metropolitana	Banchile	10 April	50
IPoM	Pablo García	Metropolitana	Adolfo Ibáñez University	11 April	36
IPoM	Enrique Orellana	Los Ríos	Austral University	11 April	70
IPoM	Pablo García	Metropolitana	Renta4	18 April	400
IPoM	Luis Felipe Céspedes	Maule	University of Talca	24 April	150
IPoM	Enrique Orellana	Metropolitana	Federico Santa María Technical University	24 April	120
IPoM	Alberto Naudon	Metropolitana	University of Chile	25 April	50
IPoM	Luis Felipe Céspedes	Coquimbo	Central University of La Serena	25 April	180
IPoM	Pablo García	Biobío	University of -Development	25 April	50
IPoM	Rosanna Costa	Los Lagos	Banchile	30 April	200
FSR	Luis Felipe Céspedes	Metropolitana	University of the Americas	31 May	140
FSR	Felipe Córdova	Valparaíso	Católica University of Valparaíso	07 June	175

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FSR	Pablo García	Metropolitana	University of Chile	08 June	60
IPoM	Luis Felipe Céspedes	Valparaíso	Universidad Técnica Federico Santa María	29 June	80
IPoM	Pablo García	Metropolitana	INACAP	04 June	120
IPoM	Alberto Naudon	Atacama	CORPROA	04 June	120
IPoM	Luis Felipe Céspedes	Metropolitana	University of Chile	04 July	20
IPoM	Rosanna Costa	Metropolitana	Diego Portales University	05 July	200
IPoM	Luis Felipe Céspedes	La Araucanía	University of La Frontera	06 July	110
IPoM	Rosanna Costa	Metropolitana	Católica University of Chile	07 September	150
IPoM	Stephany Griffith-Jones	Metropolitana	University of Chile	07 September	20
IPoM	Alberto Naudon	Los Ríos	Austral University	07 September	80
IPoM	Luis Felipe Céspedes	Biobío	University of Concepción	07 September	90
IPoM	Elías Albagli	La Araucanía	Corparaucanía	07 September	90
IPoM	Enrique Orellana	Metropolitana	Autónoma University	07 September	150
IPoM	Alberto Naudon	Metropolitana	Banchile	08 September	50
IPoM	Pablo García	Metropolitana	University of Los Andes	14 September	120
IPoM	Elías Albagli	Metropolitana	Federico Santa María Technical University	25 September	120
IPoM	Rosanna Costa	Biobío	Biobío Chamber of Production and Commerce	04 October	150
FSR	Alberto Naudon	Tarapacá	Iquique Industrial Association	15 October	100
FSR	Miguel Fuentes	Maule	Católica University of Maule	22 November	120
FSR	Pablo García	Metropolitana	Renta4	30 November	232

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Regional statistics

CBC 27

Regional statistics provide information on the economic evolution at the local level, which allows us to learn about their particular economic phenomena and thus to make better public policy decisions. For this reason, one of our priorities is to generate new statistics that expand the relevant information for the regions and also to broaden the dissemination plans.

In 2023, we developed a special chapter in the Statistics Database (SDB) that includes regional data on activity, employment, demographics, economic and financial indicators, mobility, gender, etc. This chapter includes indicators published by the National Statistics Institute (INE) and the Financial Market Commission (CMF).

Gender statistics

The Statistics Database (SDB) publishes gender indicators and statistics grouped into four areas: vital statistics, employment, economics and finance, and entrepreneurship.

This information, which comes from the National Statistics Institute (INE), the Financial Market Commission (CMF), and the Ministry of Economy, Development, and Tourism (MINECON), contributes to both the elaboration of public policies and the understanding of society.



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Statistics published in 2023

Statistic	Description	Date of publication	Monthly users
Regional GDP	Quarterly gross domestic product by region, chained volume at previous year prices, spliced series, 2018 benchmark (billions of chained pesos).	<ul style="list-style-type: none"> • 24 April • 23 June • 25 September • 26 December 	777
Regional household and NPISH consumption	Consumption of households and NPISH by region, chained volume at previous year prices, 2018 benchmark (billions of chained pesos).	<ul style="list-style-type: none"> • 24 April • 23 June • 25 September • 26 December 	134
Regional sales	Regional sales by sales region and purchase region (amount in billions of pesos and invoices in thousands of units).	The 5th of every month	294
Electronic sales receipts issued in service stations	Mobility indicator analysis, which is based on the number of electronic sales receipts issued by a sample of around 500 service stations that report their sales daily through a collaboration agreement with the Chilean IRS.	The 5th and 19th of every month	60
Regional indicators (compendium of indicators, including indicators from other institutions)	Analysis of regional variables, including output, employment, demographics, economic indicators, financial indicators, mobility statistics, and gender statistics.	According to schedule, by data source	1,785

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In 2023, we made progress in generating new regional series from administrative records. In addition, we reorganized the compendium of statistics, which includes statistics generated by other agencies as well as the CBC, with a common access in the Regional chapter of the Statistical Data Base (SDB).

Feedback workshops throughout the country

In the framework of our 2023–2027 Strategic Plan, in 2022 we conducted seven listening workshops with key stakeholders and representatives from different areas in various regions of the country. The listening workshops involved the development of feedback workshops in the regions.

These dynamics were led by the consulting firm Criteria and were aimed at learning the main perceptions of regional stakeholders regarding the Central Bank's work and positioning. As part of these workshops, we agreed to provide feedback on the perceptions gathered and how they were reflected in our Strategic Plan. These feedback workshops took place between October 2023 and January 2024.¹

Regional feedback activities

Region/city	Date	Presenter	N° of participants
Biobío (Concepción)	4 October 2023	Rosanna Costa	30
Tarapacá (Iquique)	15 November 2023	Alberto Naudon	19
Valparaíso (Viña del Mar)	22 November 2023	Rosanna Costa	35
Magallanes (Punta Arenas)	4 January 2024	Pablo García	30
Antofagasta (Antofagasta)	10 January 2024	Luis Felipe Céspedes	23
Los Lagos (Puerto Montt)	10 January 2024	Alberto Naudon	20

¹All feedback workshops were held in conjunction with the consulting firm Criteria.

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Support for public policy decisions

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As the Central Bank, we are always available to provide technical support to the executive and legislative branches and thus contribute to the development of public policies. From our autonomous and technical position, we provide analysis and opinions on bills related to macroeconomic and financial issues, while fulfilling our role of advising the President of the Republic when requested in matters related to the Bank's functions.

Role of the Central Bank in the 2023 Constitutional Process

As in the previous year, in 2023 we actively participated in the process of drafting the new constitution, giving presentations to the various bodies involved on five occasions.

Three presentations were made to the Expert Committee (EC):

- 20 Mar 23 – Presentation to the full EC
- 23 Mar 23 - Presentation to the Committee on Jurisdictional Function and Autonomous Bodies (FJOA).
- 25 Apr 23 - Presentation to the FJOA Committee, in which the Bank was asked to comment on the amendments to the approved general text.

Two presentations were made to the Constitutional Council (CC):

- 28 Jun 23 Presentation to the FJOA Committee.
- 09 Aug 23 Presentation to the 1a FJOA Committee, in which the Bank was asked to comment on the amendments to the text proposed by the Experts.

Main Digital Dissemination Channels

CBC 14

Throughout 2023, we maintained an intense dissemination campaign, aimed at both internal and external audiences, through the different channels we manage.

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Platform ————— **General public**

Website and social media

The website includes the Bank's news and access to social media, in addition to the blogs that are part of the financial economic research.




Website
2022/6,837,582 visits
2023/7,789,564 visits

Social media
2022/188,784 followers 2023/228,025 followers

Plataform ————— **General public**

Official research account

Since March 2022, the CBC maintains social media accounts on X (Twitter) and LinkedIn in order to increase the visibility of the Bank's research agenda in academic and public policy circles.




2022
6,156 followers

2023
10,859 followers

Plataform ————— **General public**

Central en Tu Vida website

Tool for the dissemination of content and resources aimed at the General Public




2022
41,606 users
125,059 visits

2023
52,720 users
201,289 visits

Plataform ————— **General public**

Social media

The objective of these accounts is to provide economic and financial education to the general public, through different tools and resources, using language that is easier to understand.




2022
16,137 followers

2023
18,729 followers

Plataform ————— **Researchers, academics, students, and general public**

Digital repository

Tool for strengthening the mechanisms for the dissemination, preservation, and knowledge sharing of publications issued by the Bank and digitized works from its Library.




2022
163,471 visits
118,409 users

2023
240,690 visits
199,834 users

Plataform ————— **Internal audience**

Discussion forums for Central Bank staff.



2022
8 meetings
2,241 participants

2023
7 meetings
2,351 participants

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Plataforma

Statistics social media accounts

Statistics accounts and new SDB functionalities

The Statistics and Data Division implemented social media accounts (Instagram, X (Twitter), and LinkedIn), with a weekly program to disseminate its products. In the Statistics Database (SDB), new functionalities were made available to facilitate access to the statistics that the Bank publishes (personal accounts, ease of use).



New financial education

In 2023 we updated our website, www.centralentuvida.cl, with a new navigation structure to facilitate user access to content.

On the new site, we increased the dissemination of content and resources aimed at the general public. In addition, we integrated two new interactive personal finance tools:

- Inflation
- Budgeting
- Saving
- Credit



The tools, together with the new structure of the site and the incorporation of weekly news, increased the number of visits.

CBC 7, CBC 25

In addition, we conduct workshops, seminars, conferences, and lectures that seek to disseminate and promote the knowledge generated in our institution, as part of the fulfillment of our mandate. Its dissemination contributes to more informed decisionmaking and to the creation of greater knowledge on the part of various actors in society. It also plays an important role in strengthening the public's confidence in our analytical capacity, which contributes to reinforcing the credibility of our work.

These initiatives also focus on bringing knowledge and information that is relevant to the Bank, but is generated by institutions or individuals outside the institution, to professionals and decisionmakers in the community.

Event	Date	N° of participants
CBC Digital Currencies Exploration Workshop	12 January	75 in-person
Conference: "International Fragmentation, Supply Chains, and Financial Frictions"	1 y 2 March	70 in-person
Launching of the report, "Chilean Companies during the Covid-19 Crisis"	10 March	50 in-person
IV Meeting of Heads of Financial Risk Management in Central Banks (CEMLA)	26–27 April	49 online
Launch of the Price Estimation Survey	4 May	45 in-person
Conference on "Global Economic Challenges" and Gita Gopinath and Pablo García	15 May	30 online
Launch of the 2023 Economics Up Close contest, at the Liceo Bicentenario San José UR in Puerto Aysén, led by the General Manager	16 June	35 in-person
Course on "Sovereign Debt and Default"	31 July to 3 August	80 in-person
seminar for the presentation of the Payment Systems Report	8 August	111 online
Launch of the Central Banking book series vol. 29, "Credibility of Emerging Markets, Foreign Investors' Risk Perceptions, and Capital Flows"	9 August	350 in-person
Talk on inflation by Pablo Garcia, for the "Civically Able Citizens" program at San Sebastian University.	7 September	324 online



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Lecture on “The Role and Functions of the CBC” by Board Member Luis Felipe Céspedes, for business administration students at the University of Concepción	7 September	20 in-person
Presentation on “Chilean Companies during the Covid-19 Crisis” at the University of Santiago (USACH) Presentation of the offprint “Chilean Companies during the Covid 19 Crisis” at the Catholic University of Valparaíso.	7 and 14 September	137 online 70 in-person
Joint Forum on Asset and Risk Management	25–26 September	50 in-person
Fifth Statistics Conference	26–27 September	160 in-person, 470 online
Meeting of experts on “Good Governance and Transparency”	4–5 October	50 in-person, 24 online
Santiago Macro Workshop	5–6 October	50 in-person
III International Financial Education Seminar	17 October	65 in-person 65 online
Workshop on “Financial Markets, Shocks, and Macroeconomic Policy”	25–26 October	80 in-person
Women for the 21st Century Economy: What Does the Voice of Experience Say? Conference held at the University of Chile Business School, featuring Stephany Griffith-Jones	3 November	30 in-person
Presentación informe “Regional Economic Outlook”, FMI	31 October	35 in-person
XXVI Conferencia Anual 2024 “Implications of Climate Change and Ecosystem Services Degradation for Macroeconomic and Financial Stability”	27–28 November	120 in-person, 700 online
Taller “Nueva Información de los mercados de derivados financieros”	29 November	50 in-person

Statistics Users Committee

The Statistics Users Committee is an initiative for communication and feedback between users and developers of statistics, which has been operating in our organization since 2009, in order to improve the usefulness, understanding and access to statistics. The committee met three times in 2023.

The meetings address topics related to the Bank’s statistical work, such as periodical publications, methodologies, new publications, and dissemination mechanisms. Projects under development or applied research topics are also discussed.



In September we held the Fifth Central Bank Statistical Conference on “**Information to Decipher the Future,**” which addressed future information challenges in the digital era and was featured national and foreign experts. More than 150 people attended in person and close to 500 connected via *streaming*.

Financial Education and Inclusion

GRI 3-3, CBC 4

MATERIAL TOPIC: FINANCIAL EDUCATION AND INCLUSION

Enfoque de gestión

Promote financial education, fostering the development of new content and tools, with the aim of broadening the scope and enabling people to make better financial decisions for their well-being.

Policies and regulations

- Communications Policy
- Sustainability Policy

Key numbers

- **52,720** users visited the CTV website.
- **201,280** visits to the Central en Tu Vida website.
- **2,100** visits on National Heritage Day.
- **380** visits to the Numismatic Museum.

Governance

• Institutional Affairs Division: The Public Affairs Department has been managing financial education initiatives aimed directly at the public since 2004, and since 2013 has run the Central en Tu Vida program, which contains all the actions and initiatives carried out in this area.

• Other areas of the CBC promote initiatives such as the simplification of the content of our reports (IPoM and FSR) and the Know Your Banknotes Program, which provides training on the use and handling of cash.

• Financial Policy Division: addresses financial inclusion issues, based on our legal capacity to establish regulations that facilitate access to financial services and digital payments.

Milestones in the year

- New line of work with the public in vulnerable socio-economic sectors through online and in-person workshops in the municipalities.
- Development of a new website for the "Central en Tu Vida" program.
- Expansion of the offer of educational workshops for 3rd and 4th grade classes.
- Execution of e-learning pilot programs for workshops in the "Know and Protect your Banknotes" program.

Future challenges

- Increase the coverage and scope of the initiatives in the Central en Tu Vida program, especially for groups with lower rates of financial literacy, including low socio-economic sectors, youth, women, and senior citizens.
- Increase the educational offer and the coverage of our school workshops, incorporating new courses for primary and middle school classes, among other new initiatives.
- Develop content for financial education initiatives in line with new trends and technologies, including digitization of the financial sector, development of the Fintech industry, sustainable finance, and the incorporation of artificial intelligence in the world of finance.

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Financial education program: “Central en Tu Vida”

At the CBC, we recognize our role in the Chilean economic system, so we promote financial education, in line with OECD recommendations, to support the development of healthy, open, and competitive financial markets and thus to reinforce financial stability.

To broaden the scope of our initiatives and help people make better decisions that contribute to their well-being, we seek to enhance our work through coordination with other relevant institutions and the promotion of the use of new tools.

Each year we carry out new initiatives aimed at students, teachers, and the general public, delivering economic and financial content in an approachable, simple, and educational format. The experience gained over time with these initiatives has helped us to expand their reach to new audiences, as well as to continue offering new content.

In 2023 we modified the profile of the financial education team, hiring a professional with a background in education who has contributed to improving the methodology and educational orientation of these workshops. Additionally, given the good results of our pilot workshops for third and fourth grade students in 2022, we held the first on-site workshop in 2023.

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Graduados Generación 2023



Financial education initiatives in 2023 CBC 31

In-person workshops for 3rd and 4th graders

Through the planning of class field trips, students learn the basics of money, management and financial planning. This workshop includes a visit to the CBC Numismatic Museum.



Participants 2022

192

Participants 2023

276

Online workshops for 7th and 8th graders

Cycle of three workshops on the economic problem, budget and the importance of savings.



Participants 2022

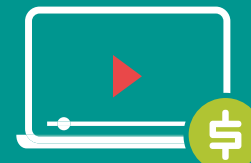
309

Participants 2023

125

Online workshops for high school students

Workshops covering the topics of responsible credit card use and budgeting



Participants 2022:

1,597

Participants 2023:

1,764

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Social program

Design and execution of a training program for municipal officials, so that they can implement financial education workshops in the different territories. Design and execution of a pilot financial education program for parents of Hogar de Cristo preschools. The assessment and subsequent testing are carried out in online workshops representative of the northern, central and southern areas of the country.



Participants 2022:

60

Participants 2023:

540

Talks by Board Members for the general public

Talks on financial education topics given by members of our Board, including Pablo García and Luis Felipe Céspedes, in the cities of Santiago and Concepción, respectively



Participants 2022:

170

Participants 2023:

80

Economics Up Close Contest

The students answered, in a three-minute video, questions about the Bank's relevance in driving green finance and sustainable economic development through its mandate. A total of 393 videos were received.



Participants 2022:

1,613

Participants 2023:

1,819

City of Opportunities Course

Online course for teachers and student teachers on financial education and economic topics. This was the sixth year that we held the course.



Graduates in 2022:

386

Graduates in 2023:

382

In-person workshops for high school students

The workshops cover the role and functions of the Central Bank, as well as economic concepts and processes such as inflation, the monetary policy rate, and personal finance, in a simple and approachable format.



Participants 2022:

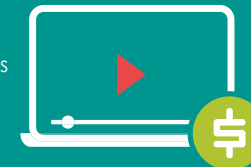
1.157

Participants 2023:

1.337

"Finance for Everyone" talks

A series of online talks on financial education topics, given by the Bank's authorities and experts. In 2023, 8 talks were held.



Participants 2022:

943

Participants 2023:

384

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Know and Protect Your Banknotes Program

CBC 29

This program has been in place for 18 years and is aimed at all types of audiences, mainly those who work with cash in their daily jobs. The objectives are to provide training on the security features of paper money, prevent counterfeiting, and give advice on care and handling.

Through the program, in 2023 we were able to train 1,981 people in Know Your Banknotes workshops and 988 people in Protect Your Banknotes workshops. The workshops were conducted in person, so that the attendees could handle counterfeit specimens. At the same time, work was carried out on the development of two e-learning courses to be launched in 2024, which will enable participants to take the training courses independently, at their own pace, with more interactive learning content and evaluation tools.

Know and Protect Your Banknotes Program Initiatives in 2023

Know Your Banknotes: Online training workshops for the general public

Development of 20 training workshops for the general public, bank cashiers, and commercial cashiers.



Date
March to December

Participants 2023:

1,839

Know Your Banknotes: Hybrid training workshops for companies

Implementation of a hybrid workshop for the company Embotelladora Andina, with in-person attendance in Santiago and online courses in the company's regional offices. As well as for the general public.



Date
20 July

Participants 2023:

78

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Pilot workshops for the new Know and Protect Your Banknote e-learning program

Two pilot e-learning workshops were held in November, achieving the objective of this new modality, which will be officially launched in 2024.



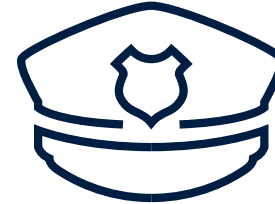
Date
November to December

Participants 2023:

64

Protect your Banknotes Workshops

Aimed at Carabineros in training.



Date
March to December

Participants 2023:

885

Forensic experts seminar

Aimed at Carabineros in training.



Date
Second half

Participants 2023:

65

Workshops for the Public Ministry, customs, investigative police, and carabineros

Aimed at officials of the institutions that play an active role in crime prevention and control



Date
Second half

Participants 2023:

38

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Main Highlights of the Know and Protect Your Banknotes Program in 2023

1 THE TRAINING PLAN FOR BOTH WORKSHOPS WAS COMPLETED.




3 FORMAL AUTHORIZATION WAS OBTAINED FROM THE DIRECTOR OF EDUCATION OF THE CARABINEROS DE CHILE TO CONDUCT THE PROGRAM AT THE INSTITUTION'S DIFFERENT EDUCATIONAL INSTITUTIONS.



2 THE E-LEARNING MODULE FOR THE PROGRAM'S COURSES WAS DESIGNED AND DEVELOPED.



4 TWO PREVENTIVE CAMPAIGNS WERE CARRIED OUT TO DISSEMINATE THE SECURITY FEATURES OF CHILEAN BANKNOTES.



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.



	2022	2023
Public inquiries	1,800	2,415
Number of visits	274,207	324,351

18% growth

Cultural Outreach and Heritage

Heritage conservation plan

The Central Bank has one of the most complete 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.

To increase the visibility of the pieces to the general public, we curated an exhibit of part of the collection in 2023, which was installed at the Central Bank building.

National Heritage Day

For Heritage Day 2023, we showcased an innovative program featuring an actor to portray Alberto Cruz Montt, the architect who designed and built our building



Visits for National Heritage Day



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Numismatic Museum

The Numismatic Museum, inaugurated in 2012, is one of the ways we further our goal of deepening our contact with the community. This educational exhibit, featuring advanced technology, displays a wide selection of our valuable heritage collection of banknotes and coins, as well as some gold bullion replicas, specimens of banknotes from many countries, and a set of objects related to our work as an institution, particularly with regard to our role as the issuer of the currency. In 2023 it was visited by 380 people.² The main activities organized in the year included:

- Planning of maintenance tasks.
- Pilot project to open and clean racks with international specimens.
- Planning and presentation of a request for resources to execute the third stage of technological improvements: financial education trivia and augmented reality of banknotes.

To take a virtual tour of our museum [click here](#).

²This number does not include visits scheduled by schools and universities or visitors on National Heritage Day.

8. Operaciones responsables



- Responsible Operations
- MT: Emissions and Climate Change
- Energy Efficiency
- MT: Waste
- MT: Sustainable Cash Cycle
- MT: Responsible Supply Chain

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Responsible Operations

GRI 3-3

MATERIAL TOPIC: EMISSIONS AND CLIMATE CHANGE

Management approach

Our processes generate impacts on the environment, both through the use of energy and water and through the production of different types of emissions.

At the CBC, we believe that the efficient use of resources is a key contribution to the fight against climate change.

Policies and regulations

- Sustainability Policy
- Sustainability Strategy
- Infrastructure Policy

Key numbers

- 5.086 tCO₂e
- 19.551 GJ energy consumption
- 63% LED lighting in the Agustinas building
- 67% LED lighting in the Stadium

Governance

- Operations Division

Milestones in the year

- Replacement of lighting systems with LED lights.
- Engineering development to implement a building management system (BMS) to support the monitoring and control of energy consumption in the operation of the Agustinas building.
- Measurement of carbon footprint of operations.

Carbon footprint

Types of emissions

CBC 11

Direct GHG emissions (scope 1)



Direct emissions derive from combustion in stationary and mobile sources, physicochemical processes and refrigerant gas leaks in controlled sources.

Indirect GHG emissions (scope 2)



Indirect emissions are associated with the purchase and use of electricity, steam, heat, and cooling.

Other GHG emissions (scope 3)



Estas emisiones son consecuencia de las actividades de la compañía, pero ocurren en fuentes que no son propiedad o controladas por la compañía.

Scope of the carbon footprint

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

GREENHOUSE GAS EMISSIONS (GHG) (GROSS VALUE OF EMISSIONS IN TCO2E)

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

Scope	2022	2023
Direct GHG emissions (scope 1)	167	135
Indirect GHG emissions from energy generation (scope 2)	1.589	1.525
Other indirect GHG emissions (scope 3)	1.489	3.425
Total GHG emissions (scopes 1, 2, and 3)	3.246	5.086

Note: The gases included in the calculations for scopes 1, 2, and 3 are: CO₂, CH₄, and N₂O

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The lower generation of direct GHG scope 1 emissions (use of fuels for power generation in Bank-owned equipment) is due to lower consumption of fossil fuels such as gas and oil in the hot water systems and operational fuel for the backup generator set, respectively. This lower consumption is mainly due to a temporary increase in oil consumption in 2022 during the commissioning of new back-up equipment.

The decrease in GHG Scope 2 emissions (emissions from electricity purchased and not directly emitted by the organization) is within expectations, adjusted for the continuous improvement carried out by CBC in recent years.

The significant increase in scope 3 GHG emissions (emissions from sources that are not owned or operated by the Bank, such as transportation systems used by employees) is due to the regularization of the Bank's in-person activities following the pandemic.

Business travel

Staff business trips are very relevant to the fulfillment of our mandate, since they allow us to:

- Generate international cooperation and knowledge networks.

- Participate in international forums and conferences that allow us to integrate new and better practices in our work.
- Generate collaboration and bilateral agreements.
- Stay up to date on training and education.
- Analyze the flow of international markets.
- Represent Chile in international venues.

Travel is fundamental for our institutional strengthening, the professional development of our team, cooperation, and comparative analysis for the review of effectiveness in the formulation and implementation of economic and monetary policies.

Thus, in 2023 we resumed our activities abroad, which reached pre-pandemic levels. The analysis of our scope 3 emissions in 2020 and 2021 should take into account the restrictions on travel to other countries in that context.

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How were the Bank's GHG emissions calculated?

• **Scope 1:** we used information associated with consumption from stationary 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.

• **Scope 2:** we considered the KWh consumption from the national power grid system (supplier: Enel, Litoral) and Cerro Dominador, the solar thermal plant contracted to supply the main junction of the Agustinas building.

• **Scope 3:** we considered the transport of supplies such as bank notes and coins, waste management, and national and international business trips by Bank staff (air travel). Employees' commute to and from work was not included in the calculation. 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.
- Ministry of Energy 2020 average, national electricity system (SEN).
- Cerro Dominador DIA emissions.
- ADEME/Bilan Carbone.
- ENVIRA.es / CO2 Equivalent.



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CO₂ emissions from renewable energy

With regard to the emissions generated by renewable and non-renewable sources, by using energy from Cerro Dominador we emit an average of 12.7% fewer tons of CO₂ emissions into the environment.

Emissiones t(CO ₂)eq Alcance 2	2022 - t(CO ₂)eq	2023 - t(CO ₂)eq
Current use of renewable and non-renewable energy	1589.24	1525
Simulation of emissions without renewable energy	1876.27	1746
% reduction in emissions	15.30%	12%

The reduction from 15.3% to 12.7% is due to the lower energy consumption of the heating, ventilation, and air-conditioning system.

GHG emissions intensity ratio (tCO₂e), by number of people.

GRI 305-4

Scope	2022	2023	Percent change 2022-2023
Scope 1	0.234	0.180	-23%
Scope 2	2.229	2.033	-8%
Scope 3	2.088	4.567	118%

The emissions intensity ratio shows the ratio of GHG emissions for each scope with respect to the number of people working in the Bank (713 for 2022 and 750 for 2023). The decrease shown is the result of the increase in the comparison base, since the number of people is higher in 2023 than in 2022, as well as the decrease in GHG emissions recorded for Scope 1 and 2.

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Energy Efficiency

Improving the efficient use of energy is one of the objectives we have set as an organization to respond to the challenges posed by climate change. At the Bank, we are working on initiatives related to energy efficiency.

Renewable energy

Since late 2021, we have had an unregulated-price contract with the Cerro Dominador solar energy plant, which ensures the supply of renewable energy for our facilities.

Electricity Consumption (Gj)¹

GRI 302-1

Source	2018	2019	2020	2021	2022	2023
Non-renewable sources	18,693	17,065	14,657	14,958	17,460	17,245
Renewable sources	0	0	0	0	2,985	2,305
Total consumption	18,693	17,065	14,657	14,958	20,445	19,524

Note 1: The energy calculation separates electricity from conventional sources and renewable sources, both obtained from the National Interconnected Power System.

Note 2: Our main energy consumption is for the Data Centers, to ensure the security and availability of information that is essential for fulfilling our institutional mission.

When analyzing annual electricity consumption in our facilities, the period 2020–2021 presents particularly low values due to the limited use of our facilities in the context of the pandemic. In 2022 and 2023, in a context of hybrid work and a return to in-person operations, energy consumption returned to pre-pandemic levels.

To continue advancing in the use of renewable energy sources, we are launching a study to evaluate the migration of 100% of the consumption of our main building to renewables.

¹ The consumption of previous years was recalculated, due to a change in 2023 in the measurement constant of one of the junctions that supplies electricity to our Agustinas building, at the request of the distribution company, with the retroactive effect reported by our distributor in the month of April.



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Thus, in the future, at least 50% of the total energy consumption of all facilities is expected be based on renewable energy.

Energy intensity

GRI 302-3

Energy intensity	2018	2019	2020	2021	2022	2023
Total fuel / Total surface area	0.018	0.017	0.008	0.012	0.016	0.017
Total electricity / Total surface area	0.079	0.071	0.061	0.062	0.070	0.065
(Fuel + electricity) / Total surface area	0.097	0.088	0.069	0.074	0.086	0.082

This indicator seeks to contextualize the bank's efficiency in relation to other organizations, relating total energy consumption to the required surface area. The slight variations shown in the indicator are explained by the decrease in the surface area used and variations in energy consumption over the years. Both of these variables were affected by the pandemic and by the incorporation of hybrid work, which reduced the need for floor space.



Waste

GRI 3-3

MATERIAL TOPIC: WASTE

Management approach

We recognize the importance of minimizing our environmental impact. The efficient management of our waste is part of our Sustainability Strategy and reflects our commitment to the environment and the optimization of our resources.

Policies and regulations

- Sustainability Strategy
- Sustainability Policy

Key numbers

- 65% of our non-hazardous waste was recovered.

Governance

- Operations Division
- Personnel Area

Milestones in the year

- Switch to biodegradable products in our cafeterias.
- Office recycling campaign.
- Composting at the Country Club.
- Reuse of coffee grounds at the Santiago casino.
- Waste disposal project for dishes.

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WASTE MANAGEMENT

GRI 306-2

For years, at the CBC we have been striving to efficiently manage the waste generated in our processes, including waste produced in the operation of our facilities and waste resulting from the cash flow cycle.

Through contracts with third parties, we handle the collection, disposal, and recycling of:

- Oil
- Grease
- Cardboard
- Plastic containers
- Cans
- Cotton paper
- Polymer paper
- Toner
- Glass

Waste generated (t)

GRI 306-3

Type of waste	2019	2020	2021	2022	2023
Hazardous	0.92	0.66	2.02	2.16	0.63
Non-hazardous	644.87	297.92	324.63	558.07	544.63
Total	645.79	298.58	326.65	560.22	545.26



99.8% of our waste is non-hazardous, and it is recycled to give the materials a new useful life.

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Recycling infrastructure

CBC 2

In terms of spaces for disposing of materials to be recycled, we have a collection area with recycling bins for organic material, plastics, cardboard, glass, and cans. We also have a storage facility for hazardous waste.

Waste for disposal (t)²

GRI 306-5

Type of waste	2021	2022	2023
Biodegradable	66.94	155.93	141.96
Debris	69.00	49.99	49.35
Hazardous waste	2.02	2.16	0.63
Total	137.97	208.08	191.94

The lower waste generation with respect to 2022 is mainly due to a decrease in biodegradable or household waste, which is directly related to the level of office attendance due to hybrid work, and in the amount of work in office and infrastructure remodeling.



² As of August 2021, the Country Club was included in the waste removal framework contracts, thus incorporating the site in the waste disposal program

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Sustainable Cash Cycle

GRI 3-3, CBC 3

MATERIAL TOPIC: SUSTAINABLE CASH CYCLE

Management approach

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 ensuring 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.

Policies and regulations

- Sustainability Strategy
- Sustainability Policy

Key numbers

- 29,108 people served to change coins
- 11,754 people served to change bills

Governance

- Operations Division

Milestones in the year

- We worked with the commercial banks to establish a new process for replenishing their supply from surpluses.
- We implemented a new coin recirculation process, through established procedures and acquired infrastructure.
- We resumed the issuance of banknotes in the second half of the year, after 18 months with no deliveries.
- We began the gradual process of withdrawing the mono-metallic 100 peso coin.

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Cash cycle

Our objective at the CBC is to guarantee the normal functioning of internal and external payments, which includes ensuring efficient management of the banknote and coin cycle. We currently issue five denominations of banknotes: 1,000, 2,000, 5,000, 10,000, and 20,000; and four denominations of coins: 10, 50, 100, and 500.

The Central Bank's Basic Constitutional Act establishes that banknotes and coins are the only means of payment that are legal tender,³ with free circulation throughout the national territory. The Bank is in charge of issuing currency in accordance with demand and distributing it to commercial banks as a wholesale supplier. The banks, in turn, distribute banknotes and coins to their customers, including businesses, services, and individuals.

The cash that the commercial banks receive from the CBC or that is returned to them by businesses, services, or individuals, 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. People can also go to the Central Bank to request replacement of banknotes in poor condition.



³ Legal tender means that a banknote or coin is worth its indicated face value and that it has the power to discharge debts through its use as a means of payment.

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PRODUCTION



97 million banknotes
17% polymer
83% cotton
Manufactured in Germany
377 million coins minted in Chile.



TRANSPORT

6 containers of banknotes
77 containers of coins



STORAGE AND DISTRIBUTION

184 million banknotes distributed to banks via cash-in-transit companies
65% in Santiago
35% in regions
132 million coins distributed to banks via cash-in-transit companies
33% in Santiago
67% in regions

CBC WINDOW

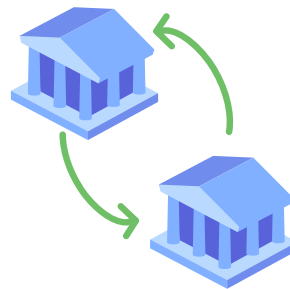


2.2 million banknotes and 5.4 million coins changed for the public

PROCESSING AND DESTRUCTION



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



WITHDRAWAL

The CBC withdraws 336 million deteriorated banknotes from the banks.



ACCESS

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

USE



People use banknotes and coins to buy goods and services.

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Our banknotes and coins

In line with the trend recorded in 2022, in the first half of 2023 the circulation of coins continued to increase, resulting in excess accumulation in the banking system. We are therefore working with commercial banks on three lines:

1. Restriction of the supply of coins by our organization, promoting interbank buying and selling to use existing coins for cyclical needs.
2. Collection of surpluses in private bank storage centers in order to avoid inventory stagnation.
3. Implementation of a monthly collection plan for unfit coins, to promote their quality and circulation.

In the second half of the year, the incoming flow of coins from the public stabilized, and we gradually delivered new coins to banks according to their needs, always taking into consideration the remaining stock. Nevertheless, the banks' demand for coins in 2023 remained lower than the historical demand observed between 2017 and 2019.

As in the case of coins, there was an increase in the circulation of banknotes as a result of the economic recovery. Here again, we reduced our supply so that banks with a surplus could sell directly to banks that required additional bills.



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Public service Public Cashier's Window

In 2023 our Public Cashier's Window continued providing service primarily for the general public and small retail businesses that use cash in their daily transactions. The window mostly served people who needed to exchange worn or damaged banknotes or break large bills into smaller denominations, a transaction commonly known as "sencillar" (to change bills).

Public Cashier's Window indicators

2.2 million banknotes, equivalent to CLP 4.76 billion in different denominations



The bill with the highest demand

29,108

people served to change banknotes

5.4 million coins, equivalent to CLP 789 million in different denominations



The most-requested coin

11,754

people served to change coins

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Close of the banknote cycle

Banknotes that have reached the end of their useful life and are in poor condition are withdrawn from circulation in order to maintain quality and confidence in the currency, a process that is carried out continuously by commercial banks. Once they are received at the Central Bank, these deteriorated banknotes are authenticated and counted individually with state-of-the-art equipment, prior to validating their payment and final destruction.

At the CBC, we are committed to generating as little waste as possible in the banknote and coin cycle, which is an important part of our Sustainability Strategy, under the environmental impact mitigation priority. Since adopting the first measures in 2017, we have developed a process that allows us to recycle the money taken out of circulation, to return it to the market for a new use.

How we recycle our main waste

<p>Polymer banknotes We give new life to waste from granulated polymer banknotes through recycling and transformation.</p>	<p>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.</p>
<p>Cotton banknotes We give a new use to waste from granulated cotton banknotes through coprocessing.</p>	<p>Withdrawn cotton banknotes are co-processed as an alternative solid fuel for the production of cement.</p> <p>Our partner in this process is the Polpaico cement company, which was awarded the contract for this service. The company's subsidiary, Coactiva, provides industrial waste management services and has a unit dedicated to sustainable waste solutions.</p>
<p>Coins We give a new useful life to coins through smelting.</p>	<p>At the end of their life cycle, coins are melted down, and the material is reused to manufacture new coins.</p>

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Recycling indicators (t)

Waste	2021	2022	2023
Polymer banknotes	51.34	43.96	34.17
Polymer banknotes (coprocessed)	34.26	36.28	32.16
Cotton banknotes	69.32	204.08	227.57
Coins	—	41	0

Note: No coins were destroyed in 2023.



Milestones in effective management in 2023

1 We worked with the commercial banks to establish a new process for replenishing their supply from surpluses.



2 We implemented a new coin recirculation process, through established procedures and acquired infrastructure.



3 We resumed the issuance of banknotes in the second half, after 18 months with no deliveries.



4 We began the gradual process of withdrawing the mono-metallic 100 peso coin.



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Responsible Supply Chain

GRI 3-3

MATERIAL TOPIC: RESPONSIBLE SUPPLY CHAIN

Management approach

We manage our supply chain responsibly, because we understand that ethical procurement practices are critical to the long-term success of our institution. We are committed to implementing and fostering supply chain practices that reflect our values of integrity, transparency, and accountability.

Policies and regulations

- Procurement Policy
- Guidelines for Procurement Contracts for Goods and Services
- Authorization Procedures for Expenditures, Purchases, Contracts, and Subcontracting
- Supplier Performance Evaluation Guidelines

Key numbers

- 131 new suppliers.
- 55% of our suppliers are national SMEs
- 5.15 days, on average, to pay national SME suppliers

Governance

- Administration and Technology Division
- Procurements Department

Milestones in the year

- Proposal for a Third-Party Supplier Model.

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Supplier management

GRI 414-2

Our relationship with our suppliers is regulated through the Procurement Policy, Guidelines for Procurement Contracts, and Authorization Procedures for Expenditures, Purchases, Contracts, and Subcontracting.

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 identification

GRI 204-1

Our network of suppliers is made up of 982 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.

Supplier identification

Type of supplier	2021	2022	2023
National SMEs	660	678	538
National corporations	99	76	323
International SMEs	79	74	89
International corporations	35	23	32
Total	873	851	982

**In 2023 the number of our
service suppliers increased
15.3%.**

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Spending and payment

Average days for payment to suppliers

Type of supplier	2021	2022	2023
National SMEs	8.02	6.60	5.15
National corporations	9.62	8.30	6.92
International SMEs	5.30	7.02	5.46
International corporations	4.73	6.18	5.97

Spending on suppliers (CLP)

Type of supplier	2021	2022	2023
National SMEs	16,022,117,053	17,248,807,960	10,488,211,540
National corporations	43,015,354,689	57,834,521,708	49,525,918,160
International SMEs	5,076,233,423	3,656,851,542	2,118,859,796
International corporations	19,733,750,590	17,474,837,030	9,989,068,077
Total	83,847,455,755	96,215,018,240	72,122,057,573

Note: The reduction in supplier spending between 2022 and 2023 is mainly due to lower payments made to suppliers for the reception of banknotes and coins.

Spending on suppliers (%)

Type of supplier	2021	2022	2023
Share of national suppliers	86.9%	88.6%	87.7%
Share of international national suppliers	13.1%	11.4%	12.3%
Share of spending on national SMEs	19.1%	17.9%	14.5%
Share of spending on international SMEs	6.0%	3.8%	2.9%
Share of spending on national corporations	51.3%	60.1%	68.6%
Share of spending on international corporations	23.5%	18.2%	13.9%

In 2023, we reduced supplier payment days by 16%, on average, across all categories



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Proposal for a Third-Party Risk Management Model

In 2023 we worked on the development of a proposal for a Third-Party Risk Management Model, considering standards and reference information from international organizations and other central banks.

We are working on a normative document that will allow us to move forward with the risk management of critical suppliers in a first stage, with the objective of expanding the scope as the model is formalized and implemented in the future.

Supplier evaluation

GRI 414-1

The Supplier Performance Evaluation Guidelines contain general criteria for assessing the performance of our suppliers on several dimensions:

- Quality of products or services received
- Technical specifications
- Compliance with dates and deadlines
- Service and support capacity
- Post-sales service

Based on our supplier assessments, we have identified a number of impacts, including:

Impact	Mitigation
Generation of waste in the banknote shredding process that does not have final disposal.	The banknote shredding process generates waste that requires a specific final disposal. For this purpose, we have contracts with companies that certify the final disposal of waste.
Danger of accidents in subcontracted works and services.	Companies that carry out works on the Bank's premises or work with subcontracted personnel are required to have the corresponding certifications and personal protection gear before entering the worksite.
Workers of subcontracted companies whose social security and labor contributions are not up to date.	We have the support of a certifying company that reviews subcontractors' compliance with social security payments. We do not make the final payments to the company unless this information is complete, as a means of persuading them to submit up-to-date information.

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Tender evaluation

For all 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. Furthermore, for labor-intensive services, we include additional social criteria such as the following:

- Guaranteed minimum ethical wage
- Health and safety talks
- Up-to-date social security and health insurance contributions
- Gender equity
- Inclusion of socially vulnerable people
- Environmental protection practices

If a company meets the technical requirements, but is weak in these criteria, they are assigned a lower score or are disqualified.

Supplier evaluation

Indicator	2022	2023
New suppliers assessed, not necessarily under social criteria	n.a.	350
New suppliers assessed under social criteria	4	14
New suppliers assessed under social criteria and selected	4	4

9. About This Report



- About This Report
- Determination of Material Topics
- Material Topics
- Methodological Changes and Restatement of Information
- GRI Content Index
- Common Acronyms

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About This Report

GRI 2-2, 2-3, 2-5

This is the Central Bank of Chile's fifth 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 2023.

Our 2023 Integrated Annual Report uses the Integrated Reporting Framework, the European Sustainability Reporting Standards (ESRS 1), and the 2021 Global Reporting Initiative (GRI) methodology, to determine the material topics and report on our management. In addition, to strengthen reportability, indicators from the Sustainability Accounting Standards Board (SASB) Standards for Asset Management and Custody Activities, applicable to central banks, were added for the first time. External assurance has not been sought for this Report.

Determination of Material Topics

GRI 3-1

To define the most significant topics to manage and report in this document, we conducted a materiality update process based on the double materiality guidelines established in the ESRS-1 standard of the European Financial Reporting Advisory Group (EFRAG) and the methodology used in the GRI 2021 Standards.

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This work was carried out in four phases:

Phase 1: Evaluation of the organization's context

- Review of sustainability and international finance standards and documents.
- Benchmark of good practices that included central banks in other countries.
- Review of the Central Bank's internal material.
- Media analysis

Phase 2: Analysis of the Bank's value chain and its impacts

- The Bank's value chain activities were reviewed, in relation to both its products and services.
- The current and potential positive and negative impacts associated with its activities were identified, from the perspective of both impact materiality and financial materiality (double materiality).

Phase 3: Assessment of the current and potential impacts

- 23 online interviews were conducted with the Bank's main executives, including the Governor, the Deputy Governor, and the Board members.
- Two external experts on economic, financial, and sustainability issues were interviewed.

Phase 4: Validation of the material topics

- The material topics were presented to the team leading the reporting process and to Central Bank managers for validation

Material Topics

GRI 3-2

As a result of this exercise, 17 material topics were defined for the 2023 period, eight more than in 2022. This difference reflects the deepening of the evaluation of impacts all along the value chain, as well as the separation of topics that were previously grouped into a broader topic, to facilitate their management and reportability.

2022 Topics	2023 Topics
<ul style="list-style-type: none"> • Monitoring the economic and financial effects of environmental and social variables. • Financial education. • Knowledge and adoption of disruptive technologies. • Sustainable cash flow cycle. • Environmental management. • Employee well-being. • Diversity and inclusion. • Training and development. • Transparency, ethics, and information security. 	<ul style="list-style-type: none"> • Standards and regulations. • Ethics and transparency. • Information security, cybersecurity, and resilience of operating systems. • Price stability; economic and social development. • Financial stability; economic and social development. • Availability of international reserves. • Resilient and accessible payment systems. • Sustainable investments (ESG). • Financial education and inclusion. • Generation of macroeconomic and financial information, statistics, and knowledge. • Talent attraction and retention. • Intellectual capital, training, and development. • Diversity, inclusion, and gender equity. • Working conditions and well-being. • Responsible supply chain. • Emissions and climate change. • Waste.

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Methodological Changes and Restatement of Information

GRI 2-4

Along with the incorporation of the ERS1 and SASB Asset Management and Custody standards, the Central Bank of Chile's own indicators were reviewed this year. As a result of this work, new indicators were incorporated, and their systematization and naming were updated, with some codes undergoing changes. Both the differences in the names and in the evaluation and reporting methodologies are duly indicated in the Report when applicable.

GRI Content Index

GRI 3-3

Content	Code	Name	Page
GRI 1: Foundation	1	GRI content index	211
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Common Acronyms

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A

ACC: Audit and Compliance Committee

B

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

CMF: Financial Market Commission

CNCl: Compendium of Foreign Exchange Regulations

CNF: Compendium of Financial Regulations

CPBV: Low-value clearing houses

E

ESSF: Economic and Social Stabilization Fund

F

FCCIC: Federal Capital Credit Insurance Corporation

FCIC: Conditional Financing Facility for Increased Loans

FEM: Formal Exchange Market

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

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I

IIDIS-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-deliverable forwards
NGFS: Network for Greening the Financial System

O

ORD: Operational Risk Department

P

PDBC: Central Bank discount notes
PRF: Pension Reserve Fund

R

Repo: Repurchase agreement
RTGS: Real-time gross settlement

S

SOMA: Open Market Operations System
S&Ls: Savings and loan associations
SDR: Special drawing rights
SDB: Statistics Database
SLL: Short-term Liquidity Line

10. Appendices



- Balance Sheet
- International Reserves
- Sovereign Wealth Funds (ESSF and PRF)

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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 this sense, 2023 was marked by the following events:

i. On 24 April, a program was launched to gradually reduce the non-deliverable forward (NDF) position at a monthly rate of 1/10 of the remaining stock (USD 9.11 billion). This gradual reduction was suspended on 26 October, after the short position in dollars had decreased by USD 6.434 billion, leaving a stock of USD 2.676 million at year-end.

ii. On 13 June, a program to replenish and expand international reserves began, with daily purchases of USD 50 million. The plan contemplated purchases totaling USD 10 billion over a 12-month period. This program was suspended on October 26, with accumulated dollar purchases of USD 3.68 billion.

iii. On 26 September, a Liquidity Deposit (LD) program was launched to guarantee and operationally support the repayment of the first FCIC facility (due on 1 April 2024). As of 30 December 2023, a total of CLP 8.092 trillion in liquidity deposits had been issued under the program, all maturing on 1 April 2024.

The spot dollar purchases increased the stock of international reserves and, therefore, the size of the balance sheet. The issue of liquidity deposits changed the liability structure, as it replaced part of the PDBC stock. On the other hand, the reduction in the NDF short position only had an effect on income (profit or loss for the year). All in all, the balance sheet, measured in pesos, increased 9.3% in 12 months or, in GDP terms, from 26.0% of GDP in December 2022 to 26.7% in December 2023.

With the increase in international reserves, the composition of assets on the balance sheet also changed. At year-end 2023, 54.6% of assets corresponded to international reserves, versus 49% at December 2022. The increase in domestic international reserves was largely explained by the spot dollar purchase program, a larger balance in the cash portfolio, and a higher market value of the reserve assets, due to the drop in international interest rates and the depreciation of the peso against the other currencies in the portfolio. Assets denominated in local currency, relative to total assets, decreased from 49.9% at year-end 2022 to 44.5% at year-end 2023.

¹ The balance sheet is prepared in accordance with International Financial Reporting Standards (IFRS). See the Financial Statements (note 2(a)).

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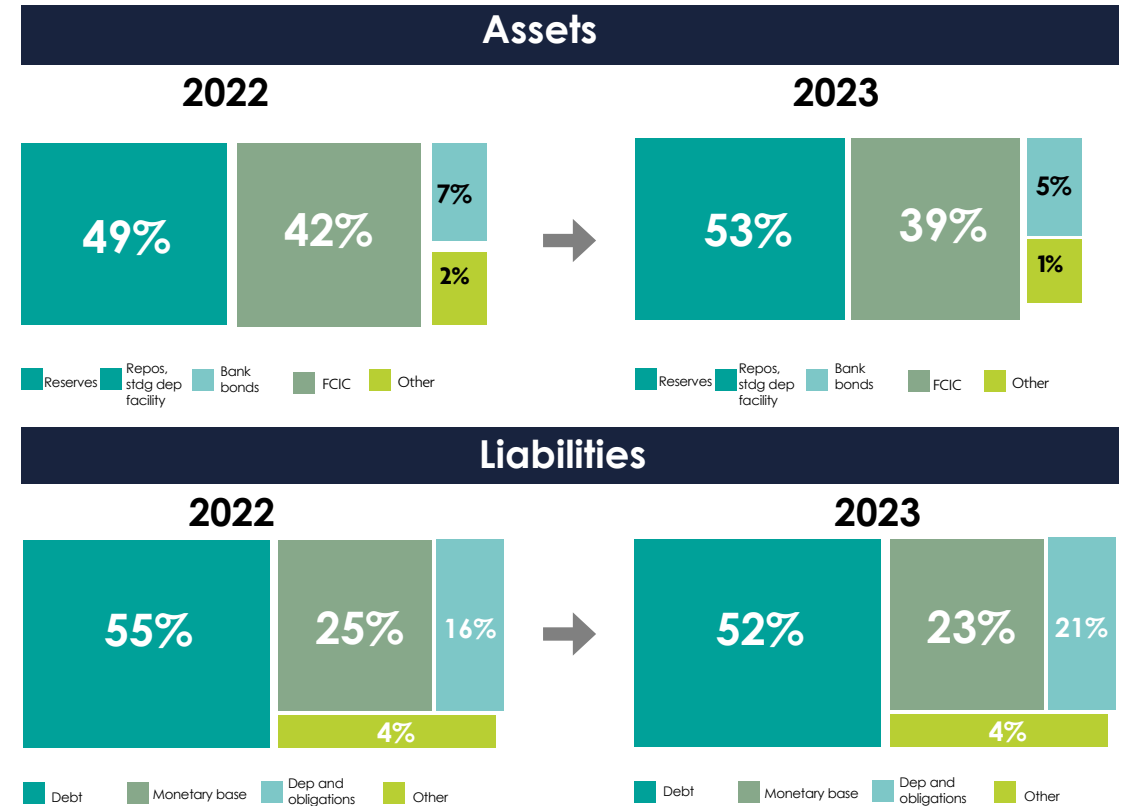
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The composition of liabilities on the balance sheet also changed. In particular, the monetary base decreased as a share of total liabilities, from 25.3% to 21.4%, while the share CB notes (short-term debt, PDBC) declined from 54.6% at year-end 2022 to 52.1% at year-end 2023. The fall in the monetary base is explained by the reduction of banknotes and coins in circulation. In turn, the reduction in monetary policy notes (mainly PDBC) as a share of total liabilities is largely explained by a substitution 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 2023, the growth in international reserves increased exposure to foreign currency assets, leaving the balance sheet more exposed to exchange rate fluctuations. On the liability side, the cost of issuing PDBCs increased (relative to 2022), in line with the evolution of the MPR. The higher cost of PDBCs was one of the main determinants of the evolution of the Bank's equity in the period.

Changes in the Asset and Liability Composition of the CBC Balance Sheet (percent of total assets and liabilities)



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Table 1.1 Central Bank Balance Sheet

(billions of CLP and % of GDP, on 31 December of each year)

Rates of return (%) (1) V

	2022		2023		2022		2023	
	Balance	%GDP	Balance	%GDP	Interest	Δ value	Interest	Δ value
Assets	68,721	26.0	75,140	26.7	1.0	0.9	1.7	1.3
international reserves	33,653	12.8	41,003	14.5	1.2	-0.2	2.6	3.6
Other assets with public sector								
Monetary policy instruments (3)	315	0.1	305	0.1	0.0	13.2	0.0	4.9
Investments in local assets (4)	19	0.0	0	0.0	1.2	0.0	2.9	0.0
Credit to financial institutions (5)	4,922	1.9	4,141	1.5	2.8	11.1	2.7	2.9
Other	28,930	11.0	28,931	10.3	0.5	0.0	0.5	0.0
	881	0.3	761	0.3	0.5	15.7	0.7	-66.6
Liabilities	69,745	26.4	78,414	27.8	5.8	0.2	7.4	0.2
Monetary base	17,641	6.7	16,791	6.0	0.5	0.0	0.0	0.0
Monetary policy notes (6)	38,064	14.4	40,850	14.5	8.7	0.1	10.6	0.0
Other monetary policy liabilities (7)	9,583	3.6	14,508	5.1	7.3	0.0	8.5	0.0
Current accts. And bank reserves in foreign currency	1,449	0.5	3,196	1.1	0.0	0.0	0.0	0.0
Treasury and other public sector deposits	0	0.0	0	0.0	5.1	0.0	2.9	0.0
Other	3,007	1.1	3,070	1.1	4.7	4.2	6.1	4.1
Equity	-1,024	-0.4	-3,274	-1.2				
Opening balance	3,417		813					
Other reserves (10)	-1,499		-311					
Net result	-2,942		-3,439					
Nonfinancial result	-147		-126					
Net interest (8)	-3,852		-4,846					
Changes in value (9)	1,057		1,534					
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 2023 and 2022, according to the CBC SDB, published in March 2024.

(3) Includes loans to banks guaranteed with risk-free documents (repos), liquidity lines in national currency, and swaps.

(4) Includes investments in bank bonds.

(5) Includes FCIC-1 and FCIC-2 (FOGAPE), and FCIC-3 credit lines.

(6) Includes PDBC, BCP, and BCU.

(7) Commercial bank deposit lines in the overnight standing deposit facility and term liquidity deposits. The liquidity deposits guarantee the FCIC (note 5).

(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) Corresponds to other comprehensive income. See the Statement of Changes in Equity in the 2023 Financial Statements.

Source: Central Bank of Chile.

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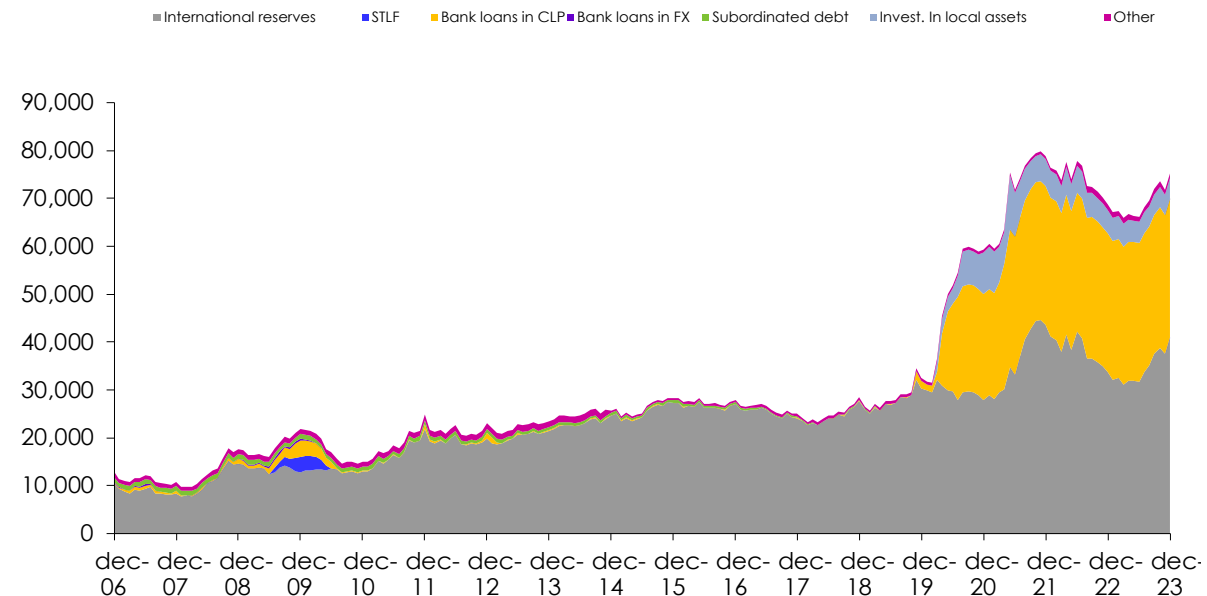
Assets and Liabilities

Measured in pesos, total assets increased CLP 6.419 trillion. As a share of GDP, assets grew from 26.0% to 26.7% of GDP between 2022 and 2023 (Table 1.1).

International reserves increased CLP 7.350 trillion, due to the combined effect of international reserve purchases (CLP 3.165 trillion), inflows from the increase in the cash portfolio (current accounts and foreign currency reserves held by the commercial banks) and other flows (CLP 1.751 trillion), and valuation gains (CLP 2.434 trillion). The latter breaks down into CLP 1.355 trillion due to changes in interest rates and CLP 1.078 trillion due to the depreciation of the peso.

In addition to the above, assets in local currency decreased CLP 811 billion. This reflects a CLP 781 billion reduction in the value of bank bonds held by the CBC (net effect of maturities and valuation at market prices), a CLP 10 billion reduction in other assets with the public sector, and the maturing of monetary policy instruments (standing liquidity facility) of CLP 19 billions².

Figure 1.1
Central Bank of Chile Assets (Balances)
(billions of CLP)



² Other assets contracted CLP 120 billion, mainly due to valuation changes (accrual) on forward operations (down CLP 145 billion) and increases in the value of other assets overseas (up CLP 25 billion).

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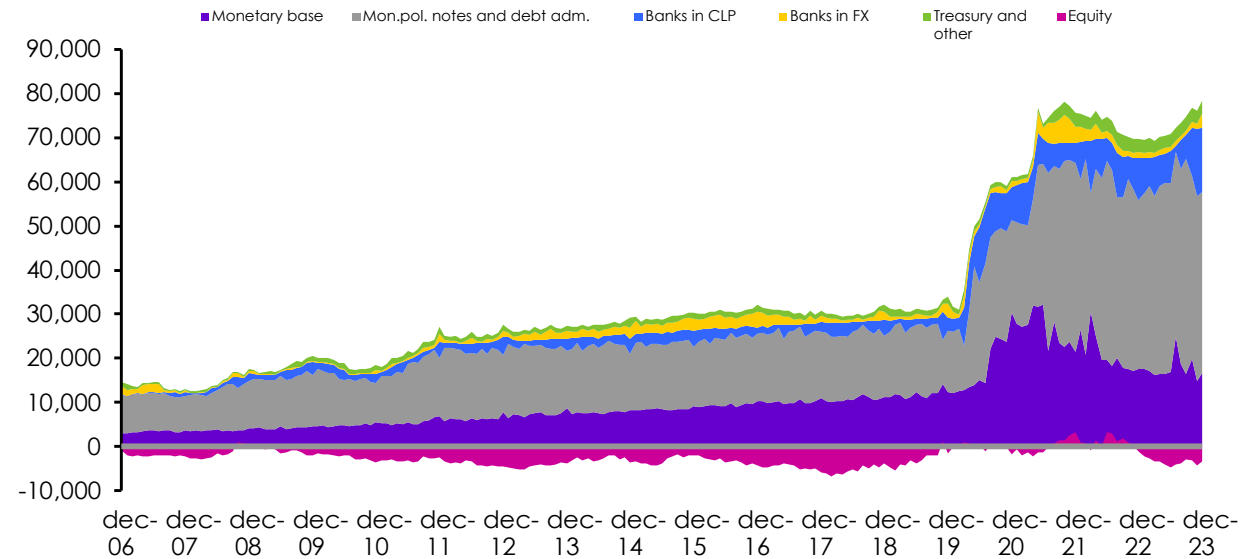
On the liability side (excluding equity), total liabilities increased CLP 8.670 trillion in 2023 and, in relative terms, reached 27.8% of GDP (versus 26.4% in 2022).

The increase is mainly explained by the sterilization of the monetary effects of dollar purchases (increase in international reserves) via an increase in debt (PDBC), by the absorption of interest paid on CBC debt, and by other liquidity injection flows (PDBC and the standing deposit facility).

In accounting terms, the largest variation was recorded in other monetary policy liabilities (standing deposit facility and liquidity deposits), which increased by CLP 4.924 trillion. This is mainly explained by the issue of liquidity deposits as a replacement for FCIC collateral. In turn, monetary policy notes increased by CLP 2.786 trillion, due to an increase in PDBC issues by CLP 2.920 trillion and a reduction in long-term debt of CLP 135 billion on the maturing of the last BCPs.

Current accounts and bank reserves in foreign currency increased CLP 1.747 trillion due to larger deposits by the commercial banks. Finally, the monetary base, which is part of the CBC's liabilities, contracted CLP 850 billion. This is explained by a reduction in cash in circulation (CLP 1.285 trillion) and an increase in bank current accounts (CLP 435 billion).

Figure 1.2
Central Bank of Chile Liabilities (Balances)
(billions of CLP)



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Equity, in turn, reflected the evolution of assets and liabilities. At the close of the period, the Bank had negative equity of CLP 3.274 trillion, reflecting an opening equity balance of CLP 813 billion, other reserves of CLP –311 billion, and a net loss in 2023 of CLP –3.439 trillion.

2

The net loss in 2023 was explained by net interest payments of CLP 4.846 trillion, mainly associated with the PDBC issued by the CBC for the implementation of monetary policy; together with nonfinancial costs of CLP 126 billion (mostly personnel and administrative expense) and currency issuance and distribution costs.

3

This was partially offset by increases in the value of assets measured in foreign currency and UF (mainly due to the depreciation of the peso against the other currencies and the increase in the UF) of CLP 1.534 trillion.

4

Return on assets and the cost of liabilities

5

The average return on assets is determined by changes in interest rates 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 the local assets held by the CBC (bank bonds). 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.

6

For the 2023 period, on average, a negative differential of 5.7% was recorded between the interest rate effectively received on assets (1.7%) and the rate effectively paid on liabilities (7.4%) (Table 1.1). In the context of this measurement, international reserves contributed 1.32% to the return on assets, which is more than last year due to higher accrued interest.

7

In turn, investments in local assets contributed 0.18% to the return, somewhat lower than the previous year, as a result of the decrease in the stock of bank bonds due to maturities. Finally, the portfolio of loans to financial institutions (FCIC) contributed 0.21% to the total return, as in the previous year. On the liability side, there was an increase in interest paid, mainly due to the higher issuance cost of PDBCs, reflecting a higher average MPR in 2023.

8

Thus, the contribution of the average interest rate paid and accrued associated with the cost of monetary policy notes to the total cost of liabilities was 6.21% (versus 4.68% in 2022) and that of other monetary policy liabilities (standing deposit facility and liquidity deposits) was 0.96% (0.77% in 2022).

9

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 (1.3%), mainly explained by a 1.08% gain attributable to the valuation of foreign currencies relative to the peso and buy/sell transactions and a 0.19% gain in the bank bond portfolio due to the increase in the UF.

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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.

At year-end 2023, the average nominal spot rate on the main assets (.1%) was lower than the average nominal spot rate on the main liabilities (6.3%) (Table 1.2). On the asset side, investments in national 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) and other bank deposits and liabilities (standing deposit facility and liquidity deposits) at rates in line with the MPR, and, to a lesser extent, by the monetary base, whose components do not earn interest and thus contribute 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 2023)

Assets	Amount	Average rate	Average duration
International reserves	41,003	4.1	2.7
FCIC	28,930	0.5	0.3
Bank bonds (1)	4,141	10.7	1.8
Total assets	74,074	3.1	1.7

Liabilities	Amount	Average issue rate	Average duration
PDBC	40,766	8.2	0.1
BCU (1)	84	5.9	2.1
Other bank deposits and oblig. (2)	14,508	8.1	0.1
Cash in circulation (3)	13,774	0.2	0.0
Fin. inst, current accounts (3)	3,017	0.0	0.0
Total liabilities	72,149	6.3	0.07

(1) Considers a normal rate equivalent to average expected inflation in 2023 (from the December 2023 IPOM) and a duration adjustment factor of 0.5 for UF-denominated bonds. del IPOM de Dec-23

(2) Standing deposit facility and liquidity deposits.

(3) Components of the monetary base.

Source: Central Bank of Chile.

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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 2023, of the total personnel and administrative expenses, personnel costs represented 64.5%; administrative expenses, 34.6%; retirement benefits, 2.4%; and other expenses (income), -1.5%.

Table 1.3

Personnel, administrative, and other expenses

Millions of CKP

Assets	2019	2020	2021	2022	2023
Personnel expenses	41,929	42,261	43,760	49,142	53,744
Administrative expenses	20,951	19,304	20,247	22,785	28,830
Provision for post-employment benefits	1,475	1,274	345	2,058	1,974
Other expenses (income)	2,104	1,347	6,011	20,354	-1,241
Total	66,459	64,186	70,363	94,339	83,307

Personnel expenses

Personnel expenses increases 9.4% in nominal term between 2022 and 2023. In 2023, the total staff grew to 755 people (713 in 2022). Professionals accounted for 84.8% of the total staff as of December 2023.

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Administrative expenses

Administrative expenses increased 26.5% in 2023. This was mainly due to an increase in computer equipment and technological development expenses.

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 (CMF). 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.



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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.³

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.

³ 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 2023.

The benchmark structure defines two investment portfolios: liquidity and diversification (Table 2.1).

Table 2.1

Benchmark structure of the investment portfolio

(values on 31 December 2023)

	Type		% Portfolio	% Sub-portfolio	Duration (months)	Benchmark indexes
Liquidity	USD	Nominal	60.0	100.0	32.2	Bloomberg-Barclays Global Aggregate-Treasury Bond Index (Unhedged) (3)
	Total		60.0	100.0	32.2	
Diversification	USD	Nominal	6.0	15.0	32.4	Bloomberg-Barclays Global Aggregate-Treasury Bond Index (Unhedged) (3)
		Indexado	11.0	27.5	26.8	
		Total	17.0	42.5	28.8	
	CNY	Nominal	8.0	20.0	32.0	Bloomberg-Barclays Global Inflation Linked Index (Unhedged) (4)
	EUR (1)	Indexado	5.0	12.5	32.4	
	GBP	Indexado	4.0	10.0	34.0	
	AUD	Nominal	3.0	7.5	33.7	
	KRW (2)	Nominal	3.0	7.5	31.0	
Total		40.0	100.0	30.9		
Total			100.0		31.7	

(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.

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The liquidity portfolio, which represents 60% of the investment portfolio, has the main objective of ensuring an adequate level of liquidity, and thus the investments must be easily convertible into cash in a short timeframe and at a reasonable cost, if necessary. The main objective of the diversification portfolio, which represents 40% of the investment portfolio, is to diversify the risks to which the investments are exposed, while maintaining adequate levels of liquidity.

2

Deviations of the investment portfolio from its benchmark are controlled through a risk budget, equivalent to an average monthly ex-ante tracking error⁴ of 40 basis points, which cannot exceed 50 basis points at any given time.

3

The investment portfolio has mechanisms for rebalancing the sub-portfolios to ensure that their relative size remains in line with the benchmark.

4

Benchmark structure of the cash portfolio

5

The investments in the cash portfolio match the currency and term structure of expected disbursements on the Bank's balance sheet. 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.

6

Portfolio performance in 2023

7

On 31 December, the investment portfolio stood at USD 38.6517 billion, while the cash portfolio held USD 3.6885 billion. Taking the sum of these two portfolios plus other assets (USD 4.0129 billion), total international reserves closed the year at USD 46.3531 billion.

8

The balance was USD 7.1990 billion higher than at year-end 2022. The growth is explained by an increase in the investment portfolio of USD 5.1873 billion, the cash portfolio of USD 1.9561 billion, and the other assets portfolio of USD 55.6 million.

9

The increase in the value of the investment portfolio (USD 5.1873 billion) is largely due to a positive absolute return of 4.47%, mainly attributable to the reduction in international interest rates, and the reserve accumulation program, which contributed a total of USD 3.680 billion, with operations carried out between 13 June and 26 October 2023.

10

The increase in the cash portfolio, in turn, was explained by greater deposits denominated in U.S. dollars held at the Central Bank by commercial banks, relative to year-end.

11

The composition of total reserves and the currency allocation of the investment portfolio are given in Tables 2 and 3, respectively.

⁴ 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.

Table 2
Composition of International Reserves
(millions of USD)

Portfolio	Currency	2022		2023	
		Dec.	%	Dec.	%
Investment portfolio		33,468.2	85.5	38,651.7	83.4%
Currencies and deposits	U.S. dollar	150.0	0.4	1,102.6	2.4%
	Euro	0.4	0.0	0.5	0.0%
	Canadian dollar	0.0	0.0	0.0	0.0%
	Australian dollar	0.2	0.0	0.1	0.0%
	Other	3.2	0.0	227.5	0.5%
Securities	U.S. dollar	25,529.3	65.2	29,042.0	62.7%
	Euro	1,679.0	4.3	1,952.7	4.2%
	Canadian dollar	0.0	0.0	0.0	0.0%
	Australian dollar	1,017.1	2.6	1,189.8	2.6%
	Other	5,089.1	13.0	5,136.3	11.1%
Total	U.S. dollar	25,679.3	65.6	30,144.7	65.0%
	Euro	1,679.4	4.3	1,953.2	4.2%
	Canadian dollar	0.0	0.0	0.0	0.0%
	Australian dollar	1,017.3	2.6	1,190.0	2.6%
	Other	5,092.2	13.0	5,363.8	11.6%
Cash portfolio		1,728.6	4.4	3,688.5	8.0%
Currencies and deposits	U.S. dollar	1,728.6	4.4	3,688.5	8.0%
Other assets		3,957.4	10.1	4,012.9	8.7%
Monetary gold	Other	14.4	0.0	16.5	0.0%
IMF SDRs	Other	3,265.3	8.3	3,352.6	7.2%
IMF reserve position	Other	677.6	1.7	642.9	1.4%
Currencies and deposits	U.S. dollar	0.0	0.0	0.9	0.0%
Total international reserves		39,154.1	100.0	46,353.1	100.0%
	U.S. dollar	27,407.9	70.0	33,834.1	73.0%
	Euro	1,679.4	4.3	1,953.2	4.2%
	Canadian dollar	0.0	0.0	0.0	0.0%
	Australian dollar	1,017.3	2.6	1,190.0	2.6%
	Other	9,049.6	23.1	9,375.9	20.2%

Source: Central Bank of Chile

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Table 3
Investment portfolio: Investments by currency (1)

(percentage on 31 December 2023)

Currency	Share (2)
United States dollar	78.0%
Chinese Renminbi	6.8%
Euro	5.1%
Pound sterling	4.1%
Australian dollar	3.1
South Korean Won	3.0
Other (3)	0.0
Total	100.0

(1) Excluding the cash and other assets portfolios.

(2) The share includes currency forwards.

(3) Includes JPY, CHF, PLN, MYR, NZD, CAD, NOK, SGD, DKK, SEK, and CZK.

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 (66% of the benchmark considers nominal U.S. Treasury bonds, the most liquid asset on the market). Investments in bank deposits are mainly limited to the cash portfolio (primarily overnight deposits).

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 4).

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Table 4

Composition of international reserves by credit risk (1) (2) (3) (4)

(percentage on 31 December 2023)

Type of credit risk	Credit rating							TOTAL
	AAA	AA+	AA	AA-	A+	A	A-	
Sovereign	2.8	64.6	5.7	3.7	5.6	0.2	1.9	84.5
Bank	1.7	0.0	3.3	3.1	1.8	2.9	0.0	12.8
Supranational	1.6	0.0	0.3	0.1	0.0	0.0	0.0	2.1
Agency	0.0	0.3	0.2	0.0	0.0	0.0	0.0	0.6
Total	6.1	65.0	9.5	7.0	7.4	3.1	1.9	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 and South Korean government agencies. 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 (Table 3.5).

Table 3.5

(millions of USD)

Financial institutions with outstanding deposits on 31.Dec.2023 (1) (2)	
AAA, AA+, AA, AA-	Societe Generale Raiffeisen Schweiz Genossenschaft Federal Reserve Bank of New York Royal Bank of Canada Toronto The Toronto Dominion Bank Toronto Category average 185
A+, A, A-	China Construction Bank Corporation Banco Bilbao Vizcaya Argentaria S.A. Bred Banque Populaire Sumitomo Mitsui Banking Corporation Category average 530

(1) Includes the internally managed investment portfolio and the cash portfolio.

(2) Includes balances held in interest-bearing accounts.

Source: Central Bank of Chile.

Market risk is contained through the diversification of investment currencies, instruments, and maturities, based on tracking error limits to control deviations from the benchmark. In 2023, the average daily value at risk (VaR5) of the internally managed investment portfolio was 7.61% (7.18% in 2022). The average tracking was 17.6 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 2023, the total return on reserves was 4.28% measured in currency of origin of the investments, mainly due to a decline in yield curves. Measured in U.S. dollars, the return was 4.47%, due to the positive exchange rate effect deriving from measuring the reserve returns using the U.S. dollar as the base currency (the dollar depreciated against the basket of investment currencies in the period). The return differential relative to the benchmark structure was -12 basis points (Table 6).

Table 6

Absolute returns on international reserves and the benchmark (1) (2)

(percentage)

Period	Currency of origin			U.S. dollars		
	Int.Res.	BMK	Differential (2)	Int.Res.	BMK	Differential (2)
2023	4.28	4.34	-0.07	4.47	4.59	-0.12
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
Average	1.45	1.48	-0.02	0.68	0.75	-0.07

(1) Excluding monetary gold, special drawing rights, IMF reserve position, reciprocal credit agreements, and other reserve asset.

(2) The benchmarks were adjusted significantly in 2019 and 2021. The returns presented in the table do not consider the waiver periods granted for the implementation of the adjustments.

Source: Central Bank of Chile.

⁵ The VaR is based on a parametric model with an annualized daily horizon, a confidence level of 95%, and an exponential decay factor of 0,94.

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External portfolio management program

At year-end 2023, 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 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.

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. The contractual relationship with the lending agent (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.

In 2023, this program generated income for the Bank equivalent to 1.4 basis points of the total internally managed investment portfolio.

11. Financial Statements



- External Auditor's Opinion
- Statements of Financial Position

External Auditor's Opinion

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2 The Central Bank of Chile

3 Governance

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6 A Diverse Entity

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Independent Auditor's Report

To the Governor, Deputy Governor, and Members of the Board of the Central Bank of Chile

Opinion

We have audited the accompanying financial statements of the Central Bank of Chile, which comprise the statements of financial position as of 31 December 2023 and 2022 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Central Bank of Chile as of 31 December 2023 and 2022 and the results of their operations and their cash flows for the years then ended, in conformity with International Financial Reporting Standards.

Basis for the Opinion

We conducted our audits in accordance with Generally Accepted Auditing Standards in Chile. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Central Bank of Chile and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but not absolute assurance, and therefore it is not a guarantee that an audit conducted in accordance with Generally Accepted Auditing Standards in Chile will always detect a material misstatement when it exists. The risk of detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, international omissions, misrepresentations, or the override of internal control on the part of Management. Misstatements are considered material if, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with Generally Accepted Auditing Standards in Chile, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Central Bank of Chile's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Central Bank of Chile's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with Corporate Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiency or material weakness in internal control that we identify during the audit.

Santiago, 02 February 2024

STATEMENT OF FINANCIAL POSITION

on 31 December 2023 and 2022

ASSETS	NOTE	2023 CLP MM	2022 CLP MM
Foreign assets		<u>41,708,347.2</u>	<u>34,332,885.8</u>
Reserve assets:	7a	<u>41,003,490.1</u>	<u>33,653,359.9</u>
Cash	6	2,181,749.8	1,060,393.5
Investment portfolio	7c	35,272,706.6	29,191,561.9
Monetary gold	7d	14,571.5	12,405.2
Special drawing rights (SDG)	7e	2,965,692.7	2,806,577.0
IMF reserve position	7f	568,745.5	582,401.4
Other assets		24.0	20.9
Other foreign assets:		<u>704,857.1</u>	<u>679,525.9</u>
IDB shares and contributions	8a	116,394.1	113,094.0
Bank for International Settlements (BIS) shares	8b	105,533.4	97,733.8
Latin American Reserve Fund (FLAR)	8c	443,388.4	429,755.0
Other foreign assets	8d	39,541.2	38,943.1
Domestic assets		<u>33,432,062.8</u>	<u>34,388,213.1</u>
Domestic loans and investments:		<u>33,073,614.9</u>	<u>34,018,958.4</u>
Loans to banks and financial institutions	9a	28,930,740.3	28,949,350.7
Domestic investment portfolio	9b	4,142,874.6	5,069,607.7
Operations under specific legal regulations:		<u>304,706.3</u>	<u>315,192.2</u>
Fiscal transfers (Law N°18,401)	10a	304,706.3	315,192.2
Other asset accounts:		<u>53,741.6</u>	<u>54,062.5</u>
Property, plant, equipment, and intangibles	11-12	38,650.7	40,321.2
Other assets	13	15,090.9	13,741.3
Total assets		<u>75,140,410.0</u>	<u>68,721,098.9</u>

The accompanying notes 1 to 31 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

on 31 December 2023 and 2022 (continued)

LIABILITIES AND EQUITY	NOTE	2023 CLP MM	2022 CLP MM
Foreign liabilities	14	<u>3,011,360.0</u>	<u>2,959,657.5</u>
Accounts with international organizations		75,202.7	73,757.1
SDR allocations		2,935,973.4	2,884,797.4
Reciprocal credit agreements		4.2	4.1
Deposits with central banks		179.7	1,098.9
Domestic liabilities		<u>75,402,989.2</u>	<u>66,785,184.6</u>
Monetary base:	15	<u>16,791,294.5</u>	<u>17,641,229.9</u>
Banknotes and coins in circulation		13,774,199.4	15,059,016.3
Deposits from financial institutions (CLP)		3,017,095.1	2,582,213.6
Deposits and obligations:	16	<u>17,741,377.4</u>	<u>11,060,934.3</u>
Deposits and obligations with the Treasury		136.8	128.8
Other deposits and obligations		17,741,240.6	11,060,805.5
Securities issued by the Central Bank of Chile:	17	<u>40,849,873.0</u>	<u>38,064,200.8</u>
Central Bank discount notes (PDBC)		40,766,306.8	37,846,043.8
Central Bank bonds in pesos (BCP)		—	58,624.7
Central Bank bonds in UF (BCU)		83,558.4	159,524.5
Other		7.8	7.8
Other liability accounts:		<u>20,444.3</u>	<u>18,819.6</u>
Provisions	18	20,387.9	18,773.4
Other liabilities		56.4	46.2
Equity:	19	<u>(3,273,939.2)</u>	<u>(1,023,743.2)</u>
Capital		812,789.2	3,416,943.8
Accumulated other comprehensive income		(310,622.4)	(1,498,993.5)
Retained earnings		(3,776,106.0)	(2,941,693.5)
Total liabilities and equity		<u>75,140,410.0</u>	<u>68,721,098.9</u>

The accompanying notes 1 to 31 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

for years ended on 31 December 2023 and 2022

	NOTE	2023 CLP MM	2022 CLP MM
Net gain (loss) from international reserves	20	374,519.4	(157,155.2)
Interest income (expense):		621,612.1	98,918.9
Interest income		912,089.4	390,587.2
Interest expense		(290,477.3)	(291,668.3)
Fee and commission income (expense):		2,908.3	3,255.2
Income from fees and commissions		4,737.6	5,564.0
Expense from fees and commissions		(1,829.3)	(2,308.8)
Income from sale of investments:		(213,808.5)	(263,239.7)
Income from sale of investments		(213,808.5)	(263,239.7)
Other income (expense):		(36,192.5)	3,910.4
Derivative operations		(41,676.0)	6,791.6
Other		5,483.5	(2,881.2)
Net gain (loss) from other foreign operations	21	(168,693.3)	(136,649.4)
Interest expense:		(111,424.6)	(34,686.9)
Interest expense		(111,424.6)	(34,686.9)
Other income (expense):		(57,268.7)	(101,962.5)
FLAR institutional reserve		—	(50,367.3)
Expense from fees and commissions		(59,311.8)	(52,485.5)
Bank for International Settlements (BIS) dividend		1,010.7	947.6
FLAR profit sharing		1,093.4	—
Other		(61.0)	(57.3)
Net gain (loss) from domestic operations	22	(4,611,869.0)	(2,530,492.5)
Interest and indexation income (expense):		(4,808,893.2)	(3,153,926.3)
Interest and indexation income		417,337.5	949,270.7
Interest and indexation expense		(5,226,230.7)	(4,103,197.0)
Other income (expense):		197,024.2	623,433.8
Derivative operations		196,482.1	616,786.8
Other		542.1	6,647.0

The accompanying notes 1 to 31 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

for years ended on 31 December 2023 and 2022 (continued)

	NOTE	2023 CLP MM	2022 CLP MM
Net gain (loss) from FX operations:	23	<u>1,088,116.0</u>	<u>31,936.4</u>
Net gain (loss) from FX operations		1,088,116.0	31,936.4
Currency issuance, distribution, and processing costs:	24	<u>(37,332.0)</u>	<u>(54,993.7)</u>
Currency issuance, distribution, and processing costs		(37,332.0)	(54,993.7)
Personnel and administrative expenses:		<u>(84,548.9)</u>	<u>(73,984.9)</u>
Personnel expenses		(53,744.2)	(49,142.0)
Administrative expenses		(28,830.3)	(22,785.0)
Post-employment benefits costs	18	(1,974.4)	(2,057.9)
Other income (expense):		<u>1,240.7</u>	<u>(20,354.2)</u>
Depreciation and amortization	11-12	(3,856.3)	(3,678.8)
Taxes and contributions		(953.0)	(835.2)
Other		6,050.0	(15,840.2)
Profit (loss) for the year		<u>(3,438,567.1)</u>	<u>(2,941,693.5)</u>
Other comprehensive income		<u>1,188,371.1</u>	<u>(1,333,824.4)</u>
Items that will not be reclassified to profit or loss:		<u>6,450.1</u>	<u>(3,752.2)</u>
Fair value adjustments to equity instruments		7,054.4	(3,308.4)
Actuarial gains (losses) on Post-employment benefits		(604.3)	(443.8)
Items that may be reclassified to profit or loss:		<u>1,181,921.0</u>	<u>(1,330,072.2)</u>
Fair value adjustments to debt instruments		1,181,921.0	(1,330,072.2)
Total profit (loss) for the year		<u>(2,250,196.0)</u>	<u>(4,275,517.9)</u>

The accompanying notes 1 to 31 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for years ended on 31 December 2023 and 2022

	Note	Capital CLP MM	Other comprehensive income		Retained earnings		Total equity CLP MM
			Actuarial gain or loss reserve CLP MM	Fair value reserve CLP MM	Foreign currency revaluation CLP MM	Surplus (deficit) for the year CLP MM	
Balance on 1 January 2022		<u>(2,247,211.7)</u>	<u>52,899.5</u>	<u>(218,068.6)</u>	—	<u>5,664,155.5</u>	<u>3,251,774.7</u>
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		—	<u>(3,752.2)</u>	<u>(1,330,072.2)</u>	—	<u>(2,941,693.5)</u>	<u>(4,275,517.9)</u>
Other transactions in the year:							
Capitalization of surplus from previous year		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		<u>5,664,155.5</u>	—	—	<u>(337,538.9)</u>	<u>(5,326,616.6)</u>	—
Balance on 31 December 2022		<u>3,416,943.8</u>	<u>49,147.3</u>	<u>(1,548,140.8)</u>	<u>(337,538.9)</u>	<u>(2,604,154.6)</u>	<u>(1,023,743.2)</u>

The accompanying notes 1 to 31 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for years ended on 31 December 2023 and 2022 (continued)

	Note	Capital CLP MM	Other comprehensive income		Retained earnings		Total equity CLP MM
			Actuarial gain or loss reserve CLP MM	Fair value reserve CLP MM	Foreign currency revaluation CLP MM	Surplus (deficit) for the year CLP MM	
Balance on 1 January 2023		<u>3,416,943.8</u>	<u>49,147.3</u>	<u>(1,548,140.8)</u>	<u>(337,538.9)</u>	<u>(2,604,154.6)</u>	<u>(1,023,743.2)</u>
Total comprehensive income in the year:							
Profit (loss) for the year		—	—	—	—	(3,438,567.1)	(3,438,567.1)
Other comprehensive income		—	6,450.1	1,181,921.0	—	—	1,188,371.1
Subtotal: Comprehensive income in the year		—	<u>6,450.1</u>	<u>1,181,921.0</u>	—	<u>(3,438,567.1)</u>	<u>(2,250,196.0)</u>
Other transactions in the year:							
Capitalization of deficit from previous year to add to opening capital		(2,604,154.6)	—	—	—	2,604,154.6	—
Unrealized foreign exchange gains (losses) in the year transferred to Foreign currency revaluation	23	—	—	—	1,080,136.7	(1,080,136.7)	—
Subtotal: Other transactions in the year		<u>(2,604,154.6)</u>	—	—	<u>1,080,136.7</u>	<u>1,524,017.9</u>	—
Balance on 31 December 2023		<u>812,789.2</u>	<u>55,597.4</u>	<u>(366,219.8)</u>	<u>742,597.8</u>	<u>(4,518,703.8)</u>	<u>(3,273,939.2)</u>

The accompanying notes 1 to 31 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS (DIRECT METHOD)

for years ended on 31 December 2023 and 2022

	NOTE	2023 CLP MM	2022 CLP MM
Cash flows from operating activities			
International reserves:			
		<u>(3,653,807.1)</u>	<u>8,680,074.0</u>
Investment portfolio		(4,300,254.4)	8,292,389.5
Interest and commissions received on reserves		641,292.9	388,254.6
Taxes paid on reserve investments		5,166.5	(557.8)
(Payments) receipts for reciprocal credit agreements		(12.1)	(12.3)
Domestic assets:			
		<u>1,246,365.4</u>	<u>1,697,100.0</u>
Receipts (disbursements) from loans to banks and financial institutions		19,000.0	17,954.0
Interest and indexation received from loans to banks and financial institutions		148,761.2	159,358.6
Domestic investment portfolio		933,274.1	1,290,966.2
Interest and indexation received from domestic investment portfolio		124,641.3	150,270.6
Charge on Treasury transfers	10a	20,688.8	78,550.6
Domestic liabilities:			
		<u>4,649,112.2</u>	<u>(6,296,023.7)</u>
Placement (redemption) of issued securities		2,569,754.2	(4,838,209.6)
Interest and indexation paid on issued securities		(4,298,118.2)	(3,329,940.4)
Increase/(Decrease) from deposits and obligations in CLP or UF		5,263,025.0	4,823,480.6
Interest and indexation paid on deposits and obligations		(601,057.8)	(650,029.4)
Increase/(Decrease) from deposits and obligations in FX		1,715,509.0	(2,301,324.9)
Other cash flows:			
		<u>248,859.0</u>	<u>294,088.3</u>
Payment for goods and services		(110,072.6)	(187,878.9)
Net cash inflows (outflows) for currency arbitrage		360,159.8	482,204.2
Fiscal agency fees and other income		4,536.7	4,668.6
Flows with international organizations		<u>(5,764.9)</u>	<u>(4,905.6)</u>
Total cash inflows/(outflows) from operating activities		<u>2,490,529.5</u>	<u>4,375,238.6</u>

The accompanying notes 1 to 31 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS (DIRECT METHOD)

for years ended on 31 December 2023 and 2022 (continued)

	NOTE	2023 CLP MM	2022 CLP MM
Cash flows from investing activities:			
Outflows, IMF		(113,868.3)	(491,556.9)
Dividends received, Bank for International Settlements (BIS)		915.0	1,014.2
Proceeds from the sale of property, plant, and equipment		40.0	8.0
Purchase of property, plant, and equipment	11	(4,387.5)	(5,833.7)
Purchase of intangible assets	12	—	(45.8)
Total cash inflows/(outflows) from investing activities		<u>(117,300.8)</u>	<u>(496,414.2)</u>
Cash flows from financing activities:			
Increase/(Decrease) in banknotes and coins in circulation	15	(1,284,816.9)	(3,607,815.7)
Total cash inflows/(outflows) from financing activities		<u>(1,284,816.9)</u>	<u>(3,607,815.7)</u>
Change in cash and cash equivalents in the year			
Exchange rate effect		33,175.4	(24,946.1)
Cash and cash equivalents on 01 January		1,060,510.0	814,447.4
Cash and cash equivalents on 31 December	6	<u>2,182,097.2</u>	<u>1,060,510.0</u>

The accompanying notes 1 to 31 are an integral part of these financial statements.



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NOTES TO THE FINANCIAL STATEMENTS

on 31 December 2023 and 2022

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).



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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.

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- (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 2023 and 2022, the exchange rates reported by Reuters (WM Company) 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:

	2023 CLP	2022 CLP
U.S. dollar	884.59	859.51
Yuan	124.73	123.64
Euro	977.17	917.31
Pound sterling	1,127.67	1,033.91
Australian dollar	603.60	582.88
South Korean won	0.69	0.68
Special drawing rights (SDR)	1,171.57	1,153.85

(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) **Investment 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.

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(ii) **Derecognition**

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.

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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).

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(viii) Securities lending

The Bank maintains a securities lending program 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

Starting in 2020, the Bank implemented a series of special measures to inject liquidity into the economy and contain market volatility, which implied recording unconventional operations on its financial statements. The accounting criteria applicable to these operations are as follows:

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Liquidity lines:

Conditional Financing Facility for Increased Loans (FCIC) and the Liquidity Credit Line (LCL) (the latter was in effect through March 2022): 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 2023 and 2022 were calculated using the following useful life estimates (in years):

	Years	
	2023	2022
Buildings	50–80	50–80
Installations	10–20	10–20
Furniture and other equipment	3–10	3–0
Computer equipment	3–5	3–5
Vehicles	7	7
Intangibles	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).

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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.

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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: $ECL=PD*LGD*EAD$, where

- ECL: Expected credit loss (CLP)
- PD: Probability of default (%)
- LGD: Loss given default (%)
- EAD: Exposure at default (CLP)

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.

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- 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.

(I) 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.

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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: The Bank used the RV-2020 mortality table for 2023 and the RV-2014 mortality table for 2022 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.
- Tasa Wage growth rate: The wage growth rate, calculated as the composite average annual growth rate of nominal wages in the last year, was 4.77% (5.12% for 2022).
- Tasa Discount rate: The Bank uses the nominal ten-year BCP bond rate on the calculation date, which was 5.60% (5.48% for 2022).

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(m) Provisions and contingent 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.

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(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), Credit risk, 5(b)-5 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 2023)		Date of mandatory application
IFRS 17	Insurance contracts	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 12	International tax reform—Pillar Two model rules	1 January 2023

The Bank has evaluated the impact of each applicable amendment and concluded that they do not affect the accounting records of the Bank's current operations.

Amendments (effective application in 2023)		Date of mandatory application
IAS 1	Classification of liabilities as current or non-current	1 January 2024
IFRS 16	Lease liability in a sale and leaseback	1 January 2024
IAS 7 and IFRS 7	Disclosure of supplier finance arrangements	1 January 2024
IAS 21	Lack of exchangeability	1 January 2025
IFRS 10 and IAS 28	Consolidated financial statements—Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Bank has conducted a preliminary analysis of each applicable standard, interpretation, or amendment and has concluded that they do not affect the accounting records of the Bank's current or future operations.

NOTE 3 – ACCOUNTING CHANGES

The accounting policies described in these financial statements, for the year ended on 31 December 2023, are consistent with the application of accounting policies for the year ended on 31 December 2022.

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 Note7(c).

The fair value and hierarchy level of domestic instruments that are measured at fair value on a recurring basis are shown in Note9(b).

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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)	2023			2022		
	Book value (a)	Fair value (b)	Difference ^{*/} (b-a)	Book value (a)	Fair value (b)	Difference (b-a)
International reserves	41,003,490.1	41,003,490.1	—	33,653,359.9	33,653,359.9	—
Other foreign assets	704,857.1	704,857.1	—	679,525.9	679,525.9	—
Loans to banks	28,930,740.3	28,196,254.8	(734,485.5)	28,949,350.7	26,132,348.5	(2,817,002.2)
Domestic investment portfolio	4,142,874.6	4,142,874.6	—	5,069,607.7	5,069,607.7	—
Treasury transfers	304,706.3	258,735.2	(45,971.1)	315,192.2	277,518.7	(37,673.5)
Other asset accounts	53,741.6	53,741.6	—	54,062.5	54,062.5	—
Total assets	<u>75,140,410.0</u>	<u>74,359,953.4</u>	<u>(780,456.6)</u>	<u>68,721,098.9</u>	<u>65,866,423.2</u>	<u>(2,854,675.7)</u>
Foreign liabilities	3,011,360.0	3,011,360.0	—	2,959,657.5	2,959,657.5	—
Monetary base	16,791,294.5	16,791,294.5	—	17,641,229.9	17,641,229.9	—
Other deposits and obligations	17,741,240.6	17,741,240.6	—	11,060,805.5	11,060,805.5	—
Obligations with the Treasury	136.8	136.8	—	128.8	128.8	—
Securities issued	40,849,873.0	40,855,598.9	5,725.9	38,064,200.8	38,068,410.7	4,209.9
Other liability accounts	20,444.3	20,444.3	—	18,819.6	18,819.6	—
Total liabilities	<u>78,414,349.2</u>	<u>78,420,075.1</u>	<u>5,725.9</u>	<u>69,744,842.1</u>	<u>69,749,052.0</u>	<u>4,209.9</u>

* / 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.

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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), which 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 annualized market rates on PDBC's with maturity dates of 1 April 2024 and 5 July 2024 (for 2022, market rates on Treasury bullet bonds in pesos, BTP, with maturity dates around March 2024 and June 2024). The discount rate used in this exercise was as follows: FCIC1: 7.86%; FCIC2-FOGAPE and FCIC3: 7.43%; (in 2022, FCIC1: 8.93%; FCIC2-FOGAPE and FCIC3: 7.85%; where the market rate used was an equivalent BTP rate).

- **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 2023 used the market rate at year-end 2023 of a comparable BTU, namely, 2.52%. For 2022 the estimate used the market rate of 1.72% of the same instrument.

- **Securities issued (note 17)**

For Central Bank's debt portfolio, the market value used was the estimate supplied by RiskAmerica.



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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.

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. In accordance with these policies, 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.

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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 Comptroller and Auditor General, 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 2023 and 2022.

2023–2022		
Currency	Investment portfolio	
	Share (%)	Duration (years)
USD	77%	2.7
CNY	8%	2.6
EUR	5%	2.6
GBP	4%	2.9
AUD	3%	3.1
KRW	3%	2.7
Total	100%	2.6

In the case of the local currency investment portfolio, there is no established benchmark, and the portfolio is not actively managed. At year-end 2023, 84.1% of the total bonds held at year-end 2022 remain in the portfolio, in mark-to-market terms.

a-1. Market 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.

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Table 5.2 shows the balance sheet exposure to currency risk as of 31 December 2023.

2023 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	29,929,267.3	2,320,250.6	1,727,772.1	1,399,279.9	1,052,635.1	1,025,014.9	3,549,270.2	—	<u>41,003,490.1</u>
Other foreign assets	559,782.5	—	—	—	—	—	145,074.6	—	<u>704,857.1</u>
Domestic loans	—	—	—	—	—	—	—	33,073,614.9	<u>33,073,614.9</u>
Operations under specific legal regulations	—	—	—	—	—	—	—	304,706.3	<u>304,706.3</u>
Other asset accounts	656.8	—	15.7	—	—	—	—	53,069.1	<u>53,741.6</u>
Total assets	<u>30,489,706.6</u>	<u>2,320,250.6</u>	<u>1,727,787.8</u>	<u>1,399,279.9</u>	<u>1,052,635.1</u>	<u>1,025,014.9</u>	<u>3,694,344.8</u>	<u>33,431,390.3</u>	<u>75,140,410.0</u>
Foreign liabilities	(70,630.9)	—	—	—	—	—	(2,935,973.2)	(4,755.9)	<u>(3,011,360.0)</u>
Monetary base	—	—	—	—	—	—	—	(16,791,294.5)	<u>(16,791,294.5)</u>
Deposits and obligations	(3,237,969.7)	(5.0)	(272.1)	(4.9)	(1.1)	—	(292.2)	(14,502,832.4)	<u>(17,741,377.4)</u>
Securities issued	—	—	—	—	—	—	—	(40,849,873.0)	<u>(40,849,873.0)</u>
Other liability accounts	(26.7)	—	—	—	—	—	—	(20,417.6)	<u>(20,444.3)</u>
Total liabilities	<u>(3,308,627.3)</u>	<u>(5.0)</u>	<u>(272.1)</u>	<u>(4.9)</u>	<u>(1.1)</u>	<u>—</u>	<u>(2,936,265.4)</u>	<u>(72,169,173.4)</u>	<u>(78,414,349.2)</u>
Net foreign currency position (Assets – Liabilities)	<u>27,181,079.3</u>	<u>2,320,245.6</u>	<u>1,727,515.7</u>	<u>1,399,275.0</u>	<u>1,052,634.0</u>	<u>1,025,014.9</u>	<u>758,079.4</u>	<u>(38,737,783.1)</u>	<u>(3,273,939.2)</u>
Percent foreign currency	<u>77%</u>	<u>6%</u>	<u>5%</u>	<u>4%</u>	<u>3%</u>	<u>3%</u>	<u>2%</u>		

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Table 5.3 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	—	<u>33,653,359.9</u>
Other foreign assets	542,849.0	—	—	—	—	—	136,676.9	—	<u>679,525.9</u>
Domestic loans	—	—	—	—	—	—	—	34,018,958.4	<u>34,018,958.4</u>
Operations under specific legal regulations	—	—	—	—	—	—	—	315,192.2	<u>315,192.2</u>
Other asset accounts	541.8	—	14.7	—	—	—	—	53,506.0	<u>54,062.5</u>
Total assets	<u>24,100,738.8</u>	<u>2,336,927.7</u>	<u>1,443,453.2</u>	<u>1,145,015.5</u>	<u>874,353.8</u>	<u>894,597.6</u>	<u>3,538,355.7</u>	<u>34,387,656.6</u>	<u>68,721,098.9</u>
Foreign liabilities	(68,628.2)	—	—	—	—	—	(2,884,797.4)	(6,231.9)	<u>(2,959,657.5)</u>
Monetary base	—	—	—	—	—	—	—	(17,641,229.9)	<u>(17,641,229.9)</u>
Deposits and obligations	(1,479,694.5)	—	(204.7)	(11.9)	—	—	(246.8)	(9,580,776.4)	<u>(11,060,934.3)</u>
Securities issued	—	—	—	—	—	—	—	(38,064,200.8)	<u>(38,064,200.8)</u>
Other liability accounts	—	—	—	—	—	—	—	(18,819.6)	<u>(18,819.6)</u>
Total liabilities	<u>(1,548,322.7)</u>	<u>—</u>	<u>(204.7)</u>	<u>(11.9)</u>	<u>—</u>	<u>—</u>	<u>(2,885,044.2)</u>	<u>(65,311,258.6)</u>	<u>(69,744,842.1)</u>
Net foreign currency position (Assets – Liabilities)	<u>22,552,416.1</u>	<u>2,336,927.7</u>	<u>1,443,248.5</u>	<u>1,145,003.6</u>	<u>874,353.8</u>	<u>894,597.6</u>	<u>653,311.5</u>	<u>(30,923,602.0)</u>	<u>(1,023,743.2)</u>
Percent foreign currency	<u>75%</u>	<u>8%</u>	<u>5%</u>	<u>4%</u>	<u>3%</u>	<u>3%</u>	<u>2%</u>		

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 2023 and 2022.

Currency	International reserves (MM USD)		Bank bonds (CLP MM)	
	2023	2022	2023	2022
U.S. dollar (USD)	7.83	6.20		
Yuan (CNY)	0.83	0.69		
Euro (EUR)	0.58	0.42		
Pound sterling (GBP)	0.45	0.33		
Australian dollar (AUD)	0.33	0.26		
South Korean won (KRW)	0.27	0.26		
Chilean peso (CLP)			754.7	955.5
Total	<u>10.29</u>	<u>8.16</u>	<u>754.7</u>	<u>955.5</u>

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a-3. Market risk

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 absolute risk level through the value at risk (VaR). 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 risk factors, including interest rate and exchange rate fluctuations, over a given period of time under normal market conditions, within a specified confidence interval. In addition to the VaR, other measures of absolute and relative risk are also calculated and monitored.

Table 5.5 presents the different market risk measures that are monitored.

		2023	2022
Amount (CLP MM) ^{*/}		35,272,706.6	29,191,561.9
Duration (months)	Portfolio	32.22	30.24
Currency composition (%)	USD	77.3%	76.8%
	CNY	7.9%	8.1%
	Other	14.8%	15.1%
VaR, ^{**/} internal investment portfolio	VaR Absolute %	7.28%	6.6%
VaR, ^{**/} BNP external investment portfolio	VaR Absolute %	7.45%	6.7%
VaR, ^{**/} Allianz external investment portfolio	VaR Absolute %	7.06%	6.7%

^{*/} Share of the investment portfolio in international reserves.

^{**/} VaR: 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 and a one-year time horizon. The VaR is measured in annual percentage.

Local asset investment portfolio (special measures)

At year-end 2023, the local asset investment portfolio is made up of directly purchased bank bonds, as at year-end 2022. In this case, market risk manifests as the possible change in the value of bank bonds held in the portfolio due to interest rate fluctuations in the secondary market, changes in the UF, and the maturing of bonds during the year (no bond purchases were made in 2023).

The market risk of the bank bond portfolio is monitored daily, based on indicators such as VaR, the daily market valuation of the bonds, their duration (interest rate risk), their currency composition, and the interest rate structure by currency.

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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 se presents the different market risk measures that are monitored.

		2023	2022
		CLP MM	CLP MM
Amount	Bank bond portfolio	4,140,719.6	4,922,482.6
Duration* (months)	Bank bond portfolio	21.9	23.3
VaR (CLP MM)	Bank bond portfolio	9,204.6	13,850.5
Currency composition %	Bank bond portfolio UF	99.0%	98.3%
	Bank bond portfolio CLP	1.0%	1.7%
Total		100%	100%

*/ The duration of UF-denominated bonds is adjusted by a factor of 0.5.

Liquidity Deposit Program

In 2023, the Central Bank of Chile announced a new program for the issuance of Liquidity Deposits (LD), with the exclusive purpose of guaranteeing and operationally supporting the payment of the FCIC. These deposits are exposed to rate risk because they are issued at a floating TPM, so the accrual and daily calculation of interest is subject to the MPR in effect each day. The deposits are scheduled to mature on 01 April and 01 July 2024.

Table 5.7 shows the nominal amounts of liquidity deposits issued, as of 31 December 2023 and 2022.

	CLP MM	
	2023	2022
Weighted average MPR	8.8%	—
Amount issued	8,092,467.1	—
Accrued interest	97,002.8	—
Total balance	8,189,469.9	—

(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.

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Table 5.8 Investment portfolio composition by credit risk, 31 December 2023.

Credit rating	Type of credit risk				Total
	Agency	Bank	Sovereign	Supranational	
AAA	0.4%	1.1%	3.3%	2.2%	<u>7.0%</u>
AA+, AA, AA-	0.3%	1.2%	81.5%	0.0%	<u>83.0%</u>
A+, A	0.0%	1.5%	8.5%	0.0%	<u>10.0%</u>
Total	<u>0.7%</u>	<u>3.8%</u>	<u>93.3%</u>	<u>2.2%</u>	<u>100%</u>

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%	<u>79.4%</u>
AA+, AA, AA-	0.2%	0.0%	10.7%	0.0%	<u>10.9%</u>
A+, A	0.0%	0.9%	8.8%	0.0%	<u>9.7%</u>
Total	<u>0.3%</u>	<u>1.4%</u>	<u>96.2%</u>	<u>2.1%</u>	<u>100%</u>

Table 5.10 Investment portfolio composition by geographic concentration, 31 December 2023.

Country	Type of credit risk				Total	CDS (bp)
	Agency	Bank	Sovereign	Supranational		
United States	0.1%	0.0%	71.3%	0.0%	<u>71.4%</u>	<u>47.88</u>
China	0.0%	1.4%	5.1%	0.0%	<u>6.5%</u>	<u>61.76</u>
United Kingdom	0.0%	0.0%	4.0%	0.0%	<u>4.0%</u>	<u>37.07</u>
South Korea	0.3%	0.0%	2.9%	0.0%	<u>3.2%</u>	<u>28.30</u>
France	0.0%	1.2%	2.9%	0.0%	<u>4.1%</u>	<u>26.61</u>
Other	0.3%	1.2%	7.1%	2.2%	<u>10.8%</u>	—
Total	<u>0.7%</u>	<u>3.8%</u>	<u>93.3%</u>	<u>2.2%</u>	<u>100%</u>	—

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%	<u>73.4%</u>	<u>24.97</u>
China	0.0%	0.9%	7.1%	0.0%	<u>8.0%</u>	<u>75.05</u>
United Kingdom	0.0%	0.0%	4.1%	0.0%	<u>4.1%</u>	<u>27.77</u>
South Korea	0.1%	0.0%	3.1%	0.0%	<u>3.2%</u>	<u>54.94</u>
France	0.1%	0.0%	3.2%	0.0%	<u>3.3%</u>	<u>27.24</u>
Other	0.1%	0.5%	5.3%	2.1%	<u>8.0%</u>	—
Total	<u>0.3%</u>	<u>1.4%</u>	<u>96.2%</u>	<u>2.1%</u>	<u>100%</u>	—

b-2. Credit risk: Local asset investments (special measures)

Credit risk is associated with the default risk of the issuers of the bank bonds 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 2023, only the bank bond portfolio was in effect, with a value of CLP\$4,140,719.6 million.

Table 5.12 Domestic investment portfolio by credit risk, 31 December 2023.

Credit rating	Bank bonds (BB)
AAA	61.9%
AA+, AA, AA-	37.8%
A+, A	0.3%
Total	100%

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%

b-3. Credit risk: Loans to banks (special measures)

This category includes the loan operations of the FCIC facilities (FCIC-1, FCIC-2, and FCIC-3), which are fully backed by different types of collateral, under the financial conditions published weekly by the Bank prior to the opening of the teller window. These conditions may be modified at the Bank's discretion.

The loan-to-collateral 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.

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At year-end 2023, the total amount of credit granted through the FCIC (FCIC1, FCIC2, and 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 29,581,059.7 million.

Table 5.14 Composition of loans to financial institutions by line and facility, 31 December 2023.

Credit rating	Concentration by bank credit rating (CLP MM)			Total
	FCIC1 ^{*/}	FCIC2 ^{*/}	FCIC3 ^{*/}	
AAA	13,617,634.3	3,377,100.0	5,146,500.0	<u>22,141,234.3</u>
AA+ AA	4,527,498.9	281,800.0	1,953,500.0	<u>6,762,798.9</u>
A+, A, A-	25,100.0	—	—	<u>25,100.0</u>
Total	<u>18,170,233.2</u>	<u>3,658,900.0</u>	<u>7,100,000.0</u>	<u>28,929,133.2</u>

* / Includes FCIC repo operations.

Table 5.15 Composition of loans to financial institutions by line and facility, 31 December 2022.

Credit rating	Concentration by bank credit rating (CLP MM)			Total
	FCIC1 ^{*/}	FCIC2 ^{*/}	FCIC3 ^{*/}	
AAA	13,617,634.3	3,377,100.0	5,146,500.0	<u>22,141,234.3</u>
AA+ AA	4,527,498.9	281,800.0	1,953,500.0	<u>6,762,798.9</u>
A+, A, A-	25,100.0	—	—	<u>25,100.0</u>
Total	<u>18,170,233.2</u>	<u>3,658,900.0</u>	<u>7,100,000.0</u>	<u>28,929,133.2</u>

* / Includes FCIC repo operations.

The amount of impairment provisions recognized at the close of the financial statements is disclosed in Note 9.

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Table 5.16 Exposure of FCIC operations, 31 December 2023 and 2022.

	2023 CLP MM	2022 CLP MM
Gross exposure	<u>28,929,133.2</u>	<u>28,929,133.2</u>
Collateral: ^{*/}		
Liquidity deposits (LD)	(8,092,467.1)	—
Central Bank bonds (BCP, BCU, PDBC)	(1,957,876.7)	(773,386.1)
Treasury bonds (BTP and BTU)	(9,158,122.6)	(9,315,907.3)
Bank deposits	(3,259,405.8)	(2,340,674.6)
Bank bonds	(1,626,163.8)	(1,401,510.8)
Corporate bonds	(588,555.3)	(159,851.3)
Mortgage bonds	—	(5,421.5)
Commercial papers	(8,196.0)	—
Securitized bonds	(2,027.9)	(3,705.6)
Bank loans ^{**/}	(9,525,761.6)	(15,884,651.9)
Net exposure	<u>(5,289,443.6)</u>	<u>(955,975.9)</u>

^{*/} All collateral is stated at fair value (market value) except for Bank loans, which are valued at nominal value. In the collateral valuation, haircut discounts on the interest rate and margins on the value are applied in the case of financial instruments traded in the secondary market; in the case of bank loans, the discount is 10% of the loan value.

^{**/} A program to standardize the eligible collateral for the FCIC was launched in January 2023, whereby the stock of the portfolio of pledged loans considered for the calculation of the loan-to-collateral ratio was reduced at a rate of 1/18 per month.

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Table 5.17 Exposure of FCIC operations by collateral type and risk rating, 31 December 2023 and 2022.

	2023 CLP MM	2022 CLP MM
Gross exposure	<u>28,929,133.2</u>	<u>28,929,133.2</u>
Collateral—Securities:	(24,692,815.2)	(14,000,457.4)
Liquidity deposits (LD)	(8,092,467.1)	—
Sovereign (Treasury and CBC)	(11,115,999.3)	(10,089,293.5)
AAA	(1,540,543.9)	(1,373,000.7)
AA+, AA, AA-	(765,095.6)	(352,807.6)
A+, A, A-	(212,028.2)	(67,269.9)
BBB+, BBB, BBB-	(38,997.6)	(15,675.2)
N-1+	(2,919,487.5)	(2,102,410.5)
N-1	(8,196.0)	—
Collateral—Bank loans:^{*/}	<u>(9,525,761.6)</u>	<u>(15,884,651.7)</u>
A1	(238,061.7)	(330,284.3)
A2	(2,434,363.5)	(4,438,355.6)
A3	(4,104,229.7)	(6,098,390.4)
A4	(2,601,312.2)	(4,761,745.3)
A5	(97,358.0)	(179,243.5)
A6	(50,436.5)	(76,632.6)
Net exposure	<u>(5,289,443.6)</u>	<u>(955,975.9)</u>

^{*/} A program to standardize the eligible collateral for the FCIC was launched in January 2023, whereby the stock of the portfolio of pledged loans considered for the calculation of the loan-to-collateral ratio was reduced at a rate of 1/18 per month.

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 2023 total operations in the standing liquidity facility (FPL) were CLP 5,792,961.9 million, while there were no repo operations. The average exposure in 2023 was CLP 15,871.1 million in the FPL, collateralized with Central Bank securities, Treasury securities, bank bonds, corporate bonds, and time deposits.

Tables 5.18 and 5.19 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 5.18 Average exposure of the FPL in 2023 and 2022.

	Average amount CLP MM	
	2023	2022
Gross exposure	<u>15,871.1</u>	<u>17,233.7</u>
Collateral:*/		
PDBC (Central Bank of Chile)	(9,107.2)	(5,993.3)
Bonds (Central Bank of Chile)	—	(1,191.5)
BTP bonds (Treasury)	(7,167.0)	(10,751.8)
Corporate bonds	(357.9)	(1.9)
Bank deposits	(207.4)	—
Net exposure	<u>(968.4)</u>	<u>(704.8)</u>

*/ All collateral is stated at fair value (market value).

Table 5.19 Average exposure of repo operations in 2023 and 2022.

	Average amount CLP MM	
	2023	2022
Gross exposure	—	<u>103,043.8</u>
Collateral:*/		
PDBC (Central Bank of Chile)	—	(5,519.2)
Bonds (Central Bank of Chile)	—	—
BTP bonds (Treasury)	—	(107,039.3)
Bank bonds	—	(5,513.1)
Bank deposits	—	(5,250.2)
Corporate bonds	—	(26,176.3)
Securitized bonds	—	—
Mortgage bonds	—	—
Commercial paper	—	—
Net exposure	—	<u>(46,454.3)</u>

*/ All collateral is stated at fair value (market value).

Table 5.20 presents the credit risk exposures associated with the swap operations.

No swaps were conducted in 2023. In 2022, this risk was mitigated by the requirement of collateral, resulting in a favorable net exposure for the Central Bank, as shown in the table.

Table 5.20 Average exposure of swap operations in 2023 and 2022.

	Average amount CLP MM	
	2023	2022
Gross exposure	—	<u>18,125.0</u>
Collateral: ^{*/}		
Cash	-	(18,134.8)
Net exposure	—	<u>[9.8]</u>

* / All collateral is stated at fair value (market value).

Additionally, in 2023 and 2022 the Bank recorded forward sales of dollars from offsetting, all within the framework of the last foreign exchange intervention program.

Table 5.21 presents the credit risk from dollar forwards from offsetting.

Table 5.21 Average exposure from forward sales (nominal) in 2023 and 2022.

	Average amount CLP MM	
	2023	2022
Gross exposure	—	—
Net exposure	<u>6,639.6</u>	<u>3,972.8</u>

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 5.22 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 5.23 Credit risk and expected credit loss provision, 31 December 2023.

	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	1,571,836.9	—	—	33,676,700.4	—	—
Grade 2: Standard Monitoring	—	—	—	—	—	—
Gross amount	1,571,836.9	—	—	33,676,700.4	—	—
Loss provision ^{*/}	(158.0)	—	—	(19,466.0)	—	—
Book value	1,571,678.9	—	—	33,676,700.4	—	—

^{*/} 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 investments / Operations under specific legal regulations)						
Grade 1: Investment Grade	29,244,847.4	—	—	4,140,719.6	—	—
Grade 2: Standard Monitoring	—	—	—	—	—	—
Gross amount	29,244,847.4	—	—	4,140,719.6	—	—
Loss provision ^{*/}	(9,400.8)	—	—	(923.0)	—	—
Book value	29,235,446.6	—	—	4,140,719.6	—	—

^{*/} 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 5.24 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 investments / Operations under specific legal regulations)						
Grade 1: Investment Grade	29,269,113.0	—	—	4,922,482.6	—	—
Grade 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).

(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 74.7% of the internally managed investment portfolio at year-end 2023 (72.1% at year-end 2022).

Table 5.25 Bid-ask spread of international reserves, 31 December 2023 and 2022.

Closing amounts	2023 bp	2022 bp
By term:		
Less than 1 year	7.4	16.3
1–5 years	7.7	14.2
Over 56 years	27.1	38.2

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 does not pursue an active strategy 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 2023, this ratio was 25.0%; at year-end 2022, 12.8%.

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c-3. Liquidity risk: Loans to banks (special measures)

The objective of the FCIC is to inject liquidity into the financial system, and the Bank does not intend to settle the operations 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.

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.

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(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 Comptroller and Auditor General, 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:

	2023 CLP MM	2022 CLP MM
Foreign correspondent banks ^{*/}	2,178,008.6	1,057,982.1
Current accounts of external portfolio managers ^{*/}	2,963.9	1,367.6
Foreign currency deposits ^{*/}	777.3	1,043.8
Subtotal cash in reserve assets	<u>2,181,749.8</u>	<u>1,060,393.5</u>
Domestic correspondent banks ^{**/}	347.4	116.5
Total cash and cash equivalents^{***/}	2,182,097.2	1,060,510.0

^{*/} 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.

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The distribution of cash and cash equivalents by currency at each year-end was as follows:

	2023 CLP MM	2022 CLP MM
U.S. dollar	2,115,936.8	1,057,165.0
Yuan	64,325.2	902.7
Euro	423.5	347.5
Pound sterling	268.6	172.6
Australian dollar	131.1	135.2
South Korean won	428.3	1,395.8
Other foreign currencies	236.3	274.7
Subtotal cash in reserve assets	<u>2,181,749.8</u>	<u>1,060,393.5</u>
U.S. dollar	151.6	2.5
Chilean peso	195.8	114.0
Subtotal domestic correspondent banks	<u>347.4</u>	<u>116.5</u>
Total cash and cash equivalents	<u>2,182,097.2</u>	<u>1,060,510.0</u>

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.

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- IMF 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:

	2023 CLP MM	2022 CLP MM
Cash	2,181,749.8	1,060,393.5
Investment portfolio:		
Fair value through other comprehensive income	33,676,700.4	28,615,872.6
Amortized cost	1,571,678.9	571,373.4
Fair value through profit or loss	24,327.3	4,315.9
Monetary gold	14,571.5	12,405.2
Special drawing rights (SDG)	2,965,692.7	2,806,577.0
IMF reserve position	568,745.5	582,401.4
Other assets	24.0	20.9
Total	41,003,490.1	33,653,359.9

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The distribution of foreign exchange reserve assets by investment currency at each year-end was as follows:

	2023 CLP MM	2022 CLP MM
U.S. dollar	29,929,267.7	23,557,347.2
Yuan	2,320,250.8	2,336,927.7
Euro	1,727,772.1	1,443,438.6
Pound sterling	1,399,279.9	1,145,015.6
Australian dollar	1,052,635.1	874,353.9
South Korean won	1,025,014.7	894,597.6
Other currencies	3,549,269.8	3,401,679.3
Total	<u>41,003,490.1</u>	<u>33,653,359.9</u>

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(b) Reserve assets, expressed in U.S. dollars

	2023 MM USD	2022 MM USD
Cash	2,466.4	1,233.7
Investment portfolio:		
Fair value through other comprehensive income	38,070.4	33,293.2
Amortized cost	1,776.8	664.8
Fair value through profit or loss	27.5	5.1
Monetary gold	16.5	14.4
Special drawing rights (SDG)	3,352.6	3,265.3
IMF reserve position	642.9	677.6
Total	<u>46,353.1</u>	<u>39,154.1</u>

The distribution of reserve assets by investment currency, expressed in U.S. dollars, at each year-end was as follows:

	2023 MM USD	2022 MM USD
U.S. dollar	33,834.1	27,407.9
Yuan	2,623.0	2,718.9
Euro	1,953.2	1,679.4
Pound sterling	1,581.8	1,332.2
Australian dollar	1,190.0	1,017.3
South Korean won	1,158.7	1,040.8
Other currencies	4,012.3	3,957.6
Total	<u>46,353.1</u>	<u>39,154.1</u>

(c) Investment portfolio by asset class

	Fair value hierarchy	2023 CLP MM	2022 CLP MM
Fair value through OCI:			
Internally managed portfolio:			
Nominal notes and bonds	Level 1	26,199,182.5	22,190,291.5
Inflation-linked bonds	Level 1	6,450,719.4	5,470,397.4
Floating rate notes	Level 1	4,406.6	4,249.2
Externally managed portfolio:			
Nominal notes and bonds	Level 1	803,685.9	757,425.9
Inflation-linked bonds	Level 1	217,809.8	188,304.8
Floating rate notes	Level 1	896.2	5,203.8
Subtotal		<u>33,676,700.4</u>	<u>28,615,872.6</u>
Amortized cost:			
Internally managed portfolio:			
Time deposits ^{*/}		756,396.0	343,926.3
Overnight deposits ^{*/}		1,502,631.5	213,595.9
Accounts receivable (payable) trade date (net)		(687,175.1)	—
Securities lending fees		481.1	422.4
Externally managed portfolio:			
Accounts receivable (payable) trade date (net)		(542.1)	(1,171.5)
Collateral, net position		(112.5)	(189.1)
Certificates of deposit ^{*/}		—	14,789.4
Subtotal		<u>1,571,678.9</u>	<u>571,373.4</u>

* / The amount of impairment provisions recognized at the close of the financial statements is disclosed in Note 5 (b-5).

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	Fair value hierarchy	2023 CLP MM	2022 CLP MM
Fair value through profit or loss:			
Internally managed portfolio:**/			
FX derivatives	Level 2	3,602.5	(96.4)
Mortgage-backed securities (MBS)	Level 1	1,205.7	—
Externally managed portfolio:**/			
FX derivatives	Level 2	290.6	217.1
Mortgage-backed securities (MBS)	Level 1	19,228.5	4,195.2
Subtotal		<u>24,327.3</u>	<u>4,315.9</u>
Total		<u>35,272,706.6</u>	<u>29,191,561.9</u>

**/ Internally managed portfolio: For 2023, the amount presented in FX derivatives (positions to be settled simultaneously) breaks down into CLP 5,282.3 million asset position and CLP 1,679.8 million liability position; for 2022, CLP 96.4 million liability position.

***/ Externally managed portfolio: For 2023, the amount presented in FX derivatives (positions to be settled simultaneously) breaks down into CLP 1,187.0 million asset position and CLP 896.4 million liability position; for 2022, 3,336.0 million asset position and CLP 3,118.8 million liability position.

(d) Monetary gold

At year-end 2023, monetary gold amounted to USD 16.5 million (USD 14.4 million in 2022) equivalent to 7,940 fine troy ounces valued at USD 2,074.79 per ounce (USD 1,817.89 in 2022). There was no change in the quantity of troy ounces relative to 2022.

	2023 CLP MM	2022 CLP MM
Monetary gold	14,571.5	12,405.2
Total	<u>14,571.5</u>	<u>12,405.2</u>

(e) Special drawing rights (SDR)

At year-end 2023, the balance in the special drawing rights account was SDG 2,531,383,291 of which SDR DEG 17,455,506 equivalent to CLP 20,450.3 million, was from interest.

	2023 CLP MM	2022 CLP MM
IMF SDRs	2,965,692.7	2,806,577.0
Total	<u>2,965,692.7</u>	<u>2,806,577.0</u>

(f) International Monetary Fund (IMF) reserve position

At each year-end, the IMF reserve position was as follows:

	2023 CLP MM	2022 CLP MM
IMF quota subscription	2,047,207.8	2,015,046.0
New Arrangements to Borrow (NAB)	1,670.4	7,691.0
Deposits (Accounts N° 1 y 2)	(1,480,132.7)	(1,440,335.6)
Total	<u>568,745.5</u>	<u>582,401.4</u>

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 not held for trade and do not have an active market, and there are no similar instruments for comparison.

In 2023, 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:

	2023 CLP MM	2022 CLP MM
IDB shares and contributions	116,394.1	113,094.0
Total	<u>116,394.1</u>	<u>113,094.0</u>

(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.

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	2023 CLP MM	2022 CLP MM
Opening balance	97,733.8	103,504.5
Fair value adjustment	6,298.7	(772.2)
SDG valuation increase (decrease)	1,500.9	(4,998.5)
Closing balance	<u>105,533.4</u>	<u>97,733.8</u>

In 2023, dividends of USD 1.1 million were received (USD 1.1 million in 2022), 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.

	2023 CLP MM	2022 CLP MM
FLAR contributions	443,388.4	429,755.0
Total	<u>443,388.4</u>	<u>429,755.0</u>

(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 SDG. 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.

2022 FCL commission (2-year duration)	2023 CLP MM	2022 CLP MM
Opening balance	38,943.1	—
Commission payment	56,995.2	58,246.7
Amortization in the period	(18,998.4)	(19,415.6)
SDR valuation increase (decrease)	(37,398.7)	112.0
Closing balance	<u>39,541.2</u>	<u>38,943.1</u>

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:

	2023 CLP MM			
	Capital	Interest	Impairment provision	Total
Repurchase agreements (FCIC repos)	24,040,889.1	1,335.6	—	<u>24,042,224.7</u>
Conditional Financing Facility for Increased Loans (FCIC)	4,888,244.1	271.5	—	<u>4,888,515.6</u>
Total	<u>28,929,133.2</u>	<u>1,607.1</u>	—	<u>28,930,740.3</u>

The collateral associated with loans to banks and financial institutions can be found in Note 5b-3.

	2022 CLP MM			
	Capital	Interest	Impairment provision	Total
Repurchase agreements (FCIC repos)	13,471,885.2	561.2	—	<u>13,472,446.4</u>
Conditional Financing Facility for Increased Loans (FCIC)	15,457,248.0	644.1	—	<u>15,457,892.1</u>
Standing liquidity facility (FPL)	19,000.0	12.2	—	<u>19,012.2</u>
Total	<u>28,948,133.2</u>	<u>1,217.5</u>	—	<u>28,949,350.7</u>

The collateral associated with loans to banks and financial institutions can be found in Note 5b-3.

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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 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 businesses, especially those that do not have access to the capital market.

The first phase of the FCIC has a maturity date of 1 April 2024, when payment is due for a principal amount of CLP 18,170,233.2 million, equivalent to 24% of the Statement of Financial Position at the end of 2023. The second and third FCIC phases are scheduled to mature on 1 July 2024, with principal payments due of CLP 3,658,900.0 million and CLP 7,100,000.0 million, respectively, i.e., 14% of the Statement of Financial Position at the year-end 2023.

The Bank has taken steps to mitigate the effects of the massive FCIC maturities. Among the measures implemented, the Bank established a program to substitute pledged loans for eligible instruments in the standing and daily liquidity injection operations, together with a program to issue Liquidity Deposits (DL) exclusively oriented to guarantee and operationally support the payment of the FCIC (with the same payment dates of FCIC-1, and FCIC 2-3).

(b) Domestic investment portfolio

Fair value through OCI:	Fair value hierarchy	2023 CLP MM	2022 CLP MM
Bank bonds	Level 1	4,140,719.6	4,922,482.6
Subtotal		<u>4,140,719.6</u>	<u>4,922,482.6</u>

Fair value through OCI:	Fair value hierarchy	2023 CLP MM	2022 CLP MM
Derivatives (intervention program)	Level 2	2,155.0	147,125.1
Subtotal		<u>2,155.0</u>	<u>147,125.1</u>
Total		<u>4,142,874.6</u>	<u>5,069,607.7</u>

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:

	2023	2022
Fair value through OCI:	CLP MM	CLP MM
Treasury transfers Law N° 18,401	314,107.1	319,762.3
Impairment provision	(9,400.8)	(4,570.1)
Total	304,706.3	315,192.2

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 2023 amounted to CLP 314,107.1 million (excluding the impairment provision), equivalent to UF 8.5 million (CLP 319,762.3 million in 2022, equivalent to UF 9.1 million).

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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.

In 2023, the second payment under the item Treasury transfer was received, for an amount of CLP 20,688.8 million, equivalent to UF 0.6 million (In 2022, CLP 78,550.6 million, equivalent to UF 2.3 million).

	2023 CLP MM	2022 CLP MM
Opening balance	315,192.2	350,802.7
Indexation adjustment in the period	15,033.6	45,503.4
Payment	(20,688.8)	(78,550.6)
Reduction/(increase) in impairment in the period	(4,830.7)	(2,563.3)
Closing balance	<u>304,706.3</u>	<u>315,192.2</u>

(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.

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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.

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he 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 2023, the amount owed to the Central Bank of Chile for the liquidation of the SINAP institutions, deriving from the refinancing of credit facilities granted directly to these institutions using the Bank's own resources, was CLP 2,231,926.2 million (CLP 2,027,974.4 million in 2022), 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 106,450.2 million (CLP 103,772.8 million in 2022), 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

	2023 CLP MM	2022 CLP MM
Property, plant, and equipment (gross)	66,612.9	65,320.4
Accumulated depreciation	(28,067.7)	(25,790.8)
Property, plant, and equipment (net)	<u>38,545.2</u>	<u>39,529.6</u>

Reconciliation of the carrying amount of Property, plant, and equipment

	CLP MM					Balance on 31.Dec.23
	Balance on 31.Dec.22	Additions	Disposals	Depreciation	Transfers	
Real estate and installations	27,823.5	164.2	—	(120.3)	—	27,867.4
Furniture and equipment	9,410.1	3,063.3	(50.7)	(3,091.2)	664.0	9,995.5
Transport material	102.0	72.8	(11.9)	(11.8)	—	151.1
Works in progress	2,194.0	1,087.2	(2,139.1)	—	(610.9)	531.2
Total	<u>39,529.6</u>	<u>4,387.5</u>	<u>(2,201.7)</u>	<u>(3,223.3)</u>	<u>53.1</u>	<u>38,545.2</u>

On 31 December 2023 and 2022, the item Depreciation and amortization on the statement of comprehensive income included CLP 3,223.3 million and CLP 2,829.9 million, respectively, while additions were CLP 4,387.5 million in 2023 and CLP 5,833.7 million in 2022. In 2023 and 2022, there were no recognized losses due to impairment.

Operating leases

On 31 December 2023 and 2022, 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

	2023 CLP MM	2022 CLP MM
Intangible assets (gross)	8,454.0	8,507.1
Accumulated amortization	(8,348.5)	(7,715.5)
Intangible assets (net)	<u>105.5</u>	<u>791.6</u>

Reconciliation of the carrying amount of intangible assets

	CLP MM					Balance on 31.Dec.23
	Balance on 31.Dec.22	Additions	Disposals	Depreciation	Transfers	
Computer programs	738.5	—	—	(633.0)	—	105.5
Computer programs in development	53.1	—	—	—	(53.1)	—
Total	<u>791.6</u>	—	—	<u>(633.0)</u>	<u>(53.1)</u>	<u>105.5</u>

On 31 December 2023 and 2022, the item Depreciation and amortization on the statement of comprehensive income included CLP 633.0 million and CLP 848.9 million, respectively, for straight-line amortization. In 2023 and 2022, there were no recognized losses due to impairment.

NOTE 13 – OTHER ASSETS

This item is made up of the following assets:

	2023 CLP MM	2022 CLP MM
Artistic and/or cultural heritage assets	5,283.6	5,283.0
Advance on contracts	145.0	222.9
Prepayment of expenses	382.9	384.4
Cash	347.4	116.5
Tax recoverable	7,385.7	6,883.0
Other domestic assets	1,546.3	851.3
Total	<u>15,090.9</u>	<u>13,741.3</u>

(a) Reconciliation of the carrying amount of artistic and/or cultural heritage assets

	2023 CLP MM	2022 CLP MM
Banknote and coin collection	3,637.4	3,637.0
Works of art	1,646.2	1,646.2
Total	<u>5,283.6</u>	<u>5,283.2</u>

NOTE 14 – FOREIGN LIABILITIES

This heading includes the following items:

	2023 CLP MM	2022 CLP MM
Accounts with international organizations	75,202.7	73,757.1
SDR allocations	2,935,973.4	2,884,797.4
Reciprocal credit agreements	4.2	4.1
Deposits from central banks	179.7	1,098.9
Total	<u>3,011,360.0</u>	<u>2,959,657.5</u>

- (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:

	2023 CLP MM	2022 CLP MM
IDB promissory note debt	70,626.5	68,624.2
Inter-American Development Bank (IDB)	3,584.8	4,167.6
International Development Association (IDA)	901.1	901.1
Multilateral Investment Guarantee Agency (MIGA)	32.9	32.9
International Bank for Reconstruction and Development (IBRD)	57.4	31.3
Total	<u>75,202.7</u>	<u>73,757.1</u>

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- (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 2,506,016,203 (equivalent to CLP 2,935,973.4 million) allocated to Chile, of which SDR 17,291,523.0 (equivalent to CLP 20,258.2 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:

	2023 CLP	2022 CLP
Current accounts in national currency	179.7	1,098.9

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:

	2023 CLP MM	2022 CLP MM
Banknotes and coins in circulation	13,774,199.4	15,059,016.3
Deposits from financial institutions	3,017,095.1	2,582,213.6
Total	<u>16,791,294.5</u>	<u>17,641,229.9</u>

(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.

	2023 CLP MM	2022 CLP MM
Opening balance	15,059,016.3	18,666,832.0
(Reduction)/ Net issuance	(1,284,816.9)	(3,607,815.7)
Closing balance	<u>13,774,199.4</u>	<u>15,059,016.3</u>

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	2023 CLP MM	2022 CLP MM	Coin denomination	2023 CLP MM	2022 CLP MM
\$ 20,000	7,449,571.2	8,019,683.7	\$ 10,000	348.6	348.6
\$ 10,000	4,662,083.2	5,333,249.6	\$ 2,000	99.2	99.2
\$ 5,000	617,462.2	645,886.4	\$ 500	276,121.4	272,151.1
\$ 2,000	169,056.1	187,565.0	\$ 100	182,006.1	179,961.7
\$ 1,000	295,032.9	299,345.5	\$ 50	36,106.8	35,127.2
\$ 500	4,703.0	4,704.1	\$ 10	65,892.7	65,171.0
Other	251.4	251.3	\$ 5	10,703.2	10,708.9
			\$ 1	4,689.4	4,690.6
			Other ^{*/}	72.0	72.4
Total	13,198,160.0	14,490,685.6	Total	576,039.4	568,330.7

^{*/} Includes remittances in transit.

(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 (*reserva 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 2023 and 2022, there were no deposits in the additional reserve account.

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.

	2023 CLP MM	2022 CLP MM
Deposits and obligations with the Treasury	136.8	128.8
Other deposits and obligations	17,741,240.6	11,060,805.5
Total	<u>17,741,377.4</u>	<u>11,060,934.3</u>

(a) The item Deposits and obligations with the Treasury includes:

	2023 CLP MM	2022 CLP MM
Current accounts held by the Treasury	136.8	128.8
Total	<u>136.8</u>	<u>128.8</u>

(b) The item Other deposits and obligations includes:

	2023 CLP MM	2022 CLP MM
Standing deposit facility in local currency (FPD)	6,318,199.1	9,583,476.4
Liquidity deposits (LD) in local currency	8,189,469.9	—
Bank current accounts in foreign currency	1,068,575.0	912,498.4
Short-term foreign currency deposits by banks	2,127,033.0	536,020.9
Derivatives (intervention program)	26,886.0	11,437.1
Other	11,077.6	17,372.7
Total	<u>17,741,240.6</u>	<u>11,060,805.5</u>

NOTE 17 – SECURITIES ISSUED

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 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 2023 and 2022, outstanding Central Bank securities have the following maturities:

	(Millions of CLP)					
	Up to 90 days	91 to 180 days	181 days to 1 year	Over 1 year to 3 years	Over 3 years	Total 2023
Central Bank discount notes (PDBC)	38,587,737.1	1,842,794.3	335,775.4	—	—	40,766,306.8
UF-denominated Central Bank bonds (BCU)	712.4	128.8	—	—	82,717.2	83,558.4
Other	7.8	—	—	—	—	7.8
Total	38,588,457.3	1,842,923.1	335,775.4	—	82,717.2	40,849,873.0

	(Millions of CLP)					
	Up to 90 days	91 to 180 days	181 days to 1 year	Over 1 year to 3 years	Over 3 years	Total 2023
Central Bank discount notes (PDBC)	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)	80,560.6	144.1	—	—	78,819.8	159,524.5
Other	7.8	—	—	—	—	7.8
Total	34,134,398.2	3,850,982.8	—	—	78,819.8	38,064,200.8

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 2022–2025, 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:

	2023 CLP MM	2022 CLP MM
Severance provisions	12,808.4	11,507.6
Special indemnity and agreed deposit for retirement plan (Res. 1651)	152.2	202.0
Subtotal provision for severance indemnity	<u>12,960.6</u>	<u>11,709.6</u>
Benefits to former Association of Retired Employees and Pension Beneficiaries	1,908.5	2,041.9
Retirement health plan benefits	—	2.9
Pending accrued vacation time for personnel	4,994.5	4,547.0
Special indemnity (Res. N°572-05-961226)	0.4	0.3
Incentive allocation	495.5	450.8
Death benefit allocation	28.4	20.9
Subtotal other provisions	<u>7,427.3</u>	<u>7,063.8</u>
Total	<u>20,387.9</u>	<u>18,773.4</u>

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	2023 CLP MM	2022 CLP MM
Movement in severance indemnity provisions:*/		
Current value of liabilities on 01 January	11,709.6	11,683.5
Service costs in the current period	1,296.9	1,411.2
Interest costs	655.7	640.3
Benefits paid in the current period	(831.6)	(1,802.4)
Actuarial gains (losses)	130.0	(223.0)
Balance on 31 December	<u>12,960.6</u>	<u>11,709.6</u>

*/ Excluding benefits to former Association of Retired Employees and Pension Beneficiaries, retirement health plan benefits, incentive allocation, and death benefit allocation.

	2023 CLP MM	2022 CLP MM
Total post-employment benefit provision expense:		
Service cost in the current period	1,203.0	1,310.8
Interest costs	771.4	747.1
Total	<u>1,974.4</u>	<u>2,057.9</u>

On 31 December 2023, 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%)	5.60%	4.60%	6.60%
Effect on severance indemnity provisions (CLP MM)	12,960.6	13,778.2	11,967.4
Effect on severance indemnity provisions (%)	—	6.31%	-7.66%

	2023 CLP MM
Calculation of probable severance indemnity payments	
Short-term provisions for severance indemnity (up to one year)	3,075.1
Long-term provisions for severance indemnity (over one year)	9,885.5
Total	<u>12,960.6</u>

NOTE 19 – EQUITY

(a) Capital

Financial capital

This item corresponds to the historical capital recorded on the financial statements in accordance with the IFRS. On 31 December 2023, financial capital was CLP 812,789.2 million (31 December 2022: CLP 3,416,943.8 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 2023 corresponds to CLP 3,413,441.2 million (31 December 2022: CLP 3,257,100.4 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 2023 and 2022 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 2023, the capital revaluation from price-level restatement, recognized in memorandum accounts, was negative CLP 24,428.4 million (positive CLP 245,953.6 million in 2022), resulting in an adjusted capital at year-end of negative CLP 533,354.4 million (positive CLP 2,095,228.7 million in 2022).

Capital to be constituted by the Bank at each year-end is as follows:

	2023 CLP MM	2022 CLP MM
1-Initial capital (CLP 500,000 MM + revaluation)	<u>3,413,441.2</u>	<u>3,257,100.4</u>
2-Adjusted historical capital:	<u>(533,354.4)</u>	<u>2,095,228.7</u>
Financial capital	812,789.2	3,416,943.8
Revaluation adjustment	(1,346,143.6)	(1,321,715.1)
3-Surplus (deficit) in the year	<u>(4,518,703.8)</u>	<u>(2,604,154.6)</u>
4-Initial capital to be constituted (1-2-3)	<u>8,465,499.4</u>	<u>3,766,026.3</u>

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:

	2023 CLP MM	2022 CLP MM
Items that will not be reclassified to profit or loss	55,597.4	49,147.3
Items that may be reclassified to profit or loss	(366,219.8)	(1,548,140.8)
Total	<u>(310,622.4)</u>	<u>(1,498,993.5)</u>

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.22	Net change	Balance on 31.Dec.23
Actuarial gains (losses)	(62.5)	(604.3)	(666.8)
Fair value adjustments to equity	49,209.8	7,054.4	56,264.2
Total	<u>49,147.3</u>	<u>6,450.1</u>	<u>55,597.4</u>

	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	<u>52,899.5</u>	<u>(3,752.2)</u>	<u>49,147.3</u>

Items that may be reclassified to profit or loss:

- 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.

	2023 CLP MM	2022 CLP MM
Opening balance	(1,548,140.8)	(218,068.6)
Reclassification from OCI to profit or loss	948,242.2	(210,753.8)
Net change in the period	233,678.8	(1,119,318.4)
Closing balance	<u>(366,219.8)</u>	<u>(1,548,140.8)</u>

(c) Retained earnings

This item breaks down into Foreign currency revaluation and Surplus (deficit) for the year.

	2023 CLP MM	2022 CLP MM
Foreign currency revaluation	742,597.8	(337,538.9)
Surplus (Deficit) in the year	(4,518,703.8)	(2,604,154.6)
Total	(3,776,106.0)	(2,941,693.5)

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) in 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 each year-end, breaks down as follows:

	2023 CLP MM	2022 CLP MM
Interest income and expense:		
Interest income	912,089.4	390,587.2
Investments measured at FVOCI (effective rate)	688,545.3	314,896.4
Investments measured at amortized cost (effective rate)	222,663.1	75,545.9
Investments measured at FVTPL (coupon rate)	881.0	144.9
Interest expense	(290,477.3)	(291,668.3)
Amortized cost (effective rate)	(87.8)	(45.4)
Investments measured at FVOCI (effective rate)	(290,389.5)	(291,622.9)
Subtotal	<u>621,612.1</u>	<u>98,918.9</u>
Fee and commission income and expense:		
Fee and commission income	4,737.6	5,564.0
Operating income	14.6	46.0
Securities lending fees ⁷	4,723.0	5,518.0
Fee and commission expense	(1,829.3)	(2,308.8)
Current account operating expenses	(211.2)	(269.2)
Securities custody fees	(851.7)	(854.5)
External portfolio management expenses	(766.4)	(1,185.1)
Subtotal	<u>2,908.3</u>	<u>3,255.2</u>

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	2023 CLP MM	2022 CLP MM
(Note 20 continued)		
Income from sale of investments:		
Sale of investments measured at FVOCI	(213,067.0)	(263,239.7)
Sale of investments measured at FVTPL	(741.5)	—
Subtotal	<u>(213,808.5)</u>	<u>(263,239.7)</u>
Other income (expense):		
Derivatives	(41,676.0)	6,791.5
Other:		
Fair value adjustments through profit or loss (FVTPL)	515.2	(603.9)
Impairment	(792.6)	(1,863.2)
Taxes	5,661.9	(589.6)
Other	99.0	175.6
Subtotal	<u>(36,192.5)</u>	<u>3,910.4</u>
Total	<u>374,519.4</u>	<u>(157,155.2)</u>

* / At year-end 2023 and 2022, the value of securities on loan (par value) represented 13.9% and 12.8% of total reserves, respectively (CLP 5,705,357.4 million in 2023 and CLP 4,316,315.8 in 2022). Securities are loaned overnight against collateral that exceeds the value of the securities.

NOTE 21 – NET GAIN (LOSS) FROM OTHER FOREIGN OPERATIONS

The net loss from other foreign transactions breaks down as follows:

	2023 CLP MM	2022 CLP MM
Interest expense	<u>(111,424.6)</u>	<u>(34,686.9)</u>
SDR allocations	(111,424.6)	(34,686.9)
Other income (expense)	<u>(57,268.7)</u>	<u>(101,962.5)</u>
FLAR institutional reserve	—	(50,367.3)
FLAR profit sharing	1,093.4	—
Fee and commission expense	(59,311.8)	(52,485.5)
BIS dividends	1,010.7	947.6
Other:		
Fiscal agency operating expenses	(61.0)	(57.3)
Total	<u>(168,693.3)</u>	<u>(136,649.4)</u>

NOTE 22 – NET GAIN (LOSS) FROM DOMESTIC OPERATIONS

The net loss from domestic transactions, at each year-end, was as follows:

	2023 CLP MM	2022 CLP MM
Interest and indexation income (expense):		
Interest and indexation income:	<u>417,337.5</u>	<u>949,270.7</u>
Domestic loans	149,150.8	159,771.5
Operations under specific legal regulations	15,033.6	45,503.4
Internally managed investment portfolio	253,153.1	743,995.8
Interest and indexation expense:	<u>(5,226,230.7)</u>	<u>(4,103,197.0)</u>
Securities issued	(4,514,036.2)	(3,442,949.9)
Deposits and obligations	(712,194.5)	(660,247.1)
Subtotal	<u>(4,808,893.2)</u>	<u>(3,153,926.3)</u>
Other net income (expense):		
Derivative operations	196,482.1	616,786.8
Other:		
Sale/ prepayment domestic portfolio	(2,085.4)	—
Commissions	3,983.4	3,801.5
Impairment	(1,355.9)	2,845.5
Subtotal	<u>197,024.2</u>	<u>623,433.8</u>
Total	<u>(4,611,869.0)</u>	<u>(2,530,492.5)</u>

NOTE 23 – NET GAIN (LOSS) FROM FOREIGN EXCHANGE OPERATIONS

The net gain (loss) from foreign exchange operations, at each year-end, derives primarily from the effect of exchange rate fluctuations on foreign exchange assets, as follows:

	2023 CLP MM	2022 CLP MM
Unrealized foreign exchange gains (losses):		
U.S. dollar	782,078.9	204,629.3
Yuan	23,059.0	(181,763.7)
Euro	95,575.3	(84,741.5)
Pound sterling	93,970.0	(123,792.9)
Australian dollar	62,677.4	(54,053.8)
South Korean won	17,262.7	(45,802.4)
Other currencies	5,513.4	(52,013.9)
Subtotal unrealized foreign exchange gains (losses)	<u>1,080,136.7</u>	<u>(337,538.9)</u>
Realized foreign exchange gains (losses):		
Foreign exchange arbitrage	7,979.3	(1,529.4)
Operating income from spot 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)	<u>7,979.3</u>	<u>369,475.3</u>
Total	<u>1,088,116.0</u>	<u>31,936.4</u>

NOTE 24 – CURRENCY ISSUANCE, DISTRIBUTION, AND PROCESSING COSTS

Banknote and coin issuance, distribution, and processing costs at each year-end break down as follows:

	2023 CLP MM	2022 CLP MM
Banknotes	(5,578.5)	(18,663.4)
Coins	(28,587.1)	(33,372.4)
Distribution and processing	(3,166.4)	(2,957.9)
Total	<u>(37,332.0)</u>	<u>(54,993.7)</u>

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.

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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:

- i. 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.
- ii. 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.
- iii. 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 2023 and 2022, the distributable surplus (deficit) is as follows:

	2023 CLP	2022 CLP
Profit (loss) for the year	<u>(3,438,567.1)</u>	<u>(2,941,693.5)</u>
Deduct:		
Unrealized foreign exchange gains (losses) in the year transferred to Foreign currency revaluation	1,080,136.7	(337,538.9)
Add:		
Realized foreign exchange gains (losses) in the year transferred from Foreign currency revaluation	—	—
Constitution of legal reserves	—	—
Distributable surplus/(deficit) for the year^{*/}	<u>(4,518,703.8)</u>	<u>(2,604,154.6)</u>

^{*/} 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 No 13,196 (“Copper Reserve Law”), under the provisions of Law No 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 No 524, dated 30 March 2020, the Bank submitted the final statement of accounts for this fiscal agency, which was approved through Joint Resolution No 6, of 29 April 2020, by the Ministries of Finance and National Defense.

Article 102 of the aforementioned Law No 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.

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By Executive Decree No 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°1,085, of 2023, from the Finance Ministry.
- (b) PRF performance guidelines: Ordinary Letter N°1,838, of 2020, amended by Ordinary Letters N°s 606 and 1942 of 2022, all from the Finance Ministry.
- (c) SCF performance guidelines: Ordinary Letter N°1,321, of 2020, amended by Ordinary Letter N°1518 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. ESSF/PRF custody guidelines and other matters pertaining to the funds are contained in Ordinary Letter N° 1,687 of 2023, 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:

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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 2023 was CLP 1,764.8 million (CLP 1,664.6 million in 2022).

NOTE 30 – MATERIAL EVENTS

(a) Measures adopted by the Bank and material events in the period:

(a.1) Foreign exchange market

In June 2023, the Bank's Board decided to implement a reserve accumulation program to strengthen the country's international liquidity position and thus contribute to the necessary recovery process in different sectors of the economy. The program contemplated the purchase of USD 10 billion in foreign currency, over a period of 12 months, through regular dollar purchases of USD 40 million per day, via competitive auctions. The monetary effects of this measure were sterilized through PDBC issues, consistent with the monetary policy stance.

Subsequently, due to increasing tension in global financial markets, the Bank's Board voted to suspend the international reserve accumulation program and the gradual reduction of its selling position in the forward market (forward contract for difference).

In total, the Bank accumulated international reserves of USD 3.68 billion between 13 June and 26 October 2023 and reduced its NDF short position by USD 6.434 billion between 24 April and 26 October 2023.

(a.2) Monetary policy rate and banking sector loans

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Inflation has continued to fall, in a context where activity and demand have continued to adjust, cost pressures have eased, and two-year inflation expectations are at 3%. This has allowed the Board to reduce the Monetary Policy Rate (MPR) by 300 basis points (bp) since July, from 11.25% to 8.25%.

Starting in March 2020, in the context of financial stress resulting from the Covid-19 pandemic, the Bank implemented a series of measures aimed at providing liquidity to the economy and supporting the flow of credit and the transmission of monetary policy. These included the establishment of the Conditional Financing Facility for Increased Loans (FCIC), whose availability periods are now closed.

In order to manage an orderly closure of the FCIC, in November 2022 the Bank established a collateral substitution program to reduce the pledged loan portfolio by replacing it with eligible instruments in the Bank's daily standing liquidity operations, at a rate of 1/18 per month. This program has been progressing as planned.

With the same objective, the Bank's Board implemented a complementary program of liquidity deposits (LD) exclusively oriented to guarantee and operationally support the payment of the FCIC. These instruments will be issued at a floating MPR with the same payment dates as FCIC-1 and FCIC 2-3 facilities, corresponding to Monday, 1 April 2024, and Monday, 1 July 2024, respectively.

- (b) Through Resolution N° 2571-01, dated 20 July 2023, the Bank's Board approved the appointment of Mr. Alejandro Zurbuchen Silva to the Audit and Compliance Committee for a period of three years, effective 22 August 2023. He replaces Mr. Anthony Dawes Martindale, whose appointment ended on 22 August 2023 following a renewed a term of three years.
- (c) Through Resolution N° 2598E-01, of 17 October 2023, the Board appointed Mr. Juan Pablo Araya Marco to the position of Interim General Manager, effective 30 October 2023. This appointment follows the resignation of Mr. Beltrán de Ramón from the position on that date, as he is leaving the Central Bank of Chile to accept the appointment of Commissioner on the Financial Market Commission.
- (d) Through Resolution N° 2602-01, del 7 December 2023, the Board approved the appointment of Mr. Anthony Dawes Martindale as an alternate member of the Audit and Compliance Committee for a period of six months, starting on 15 December 2023.
- (e) Through Resolution N° 2607E-01-231226, de 26 December 2023, the Board appointed Mr. Luis Oscar Herrera to the position of General Manager, effective 4 March 2024.

NOTE 31 – SUBSEQUENT EVENTS

In the opinion of the Management of the Central Bank of Chile, the following events that occurred between 31 December 2023 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 29 January 2024 was CLP 916.16, which represents an increase of CLP 31.57 relative to the exchange rate used for the accounting closure on 31 December 2023. This would represent an increase in the Bank's equity of CLP 974,698.0 million.

(b) Approval of the financial statements

The financial statements for the year ended on 31 December 2023 were presented to the Board by the General Manager on 02 February 2024 and were approved for publication at Board Meeting N°2619-01 on the same date.

(c) Other

Through Executive Decree N° 13 of 18 January 2024, issued by the Finance Minister, Mr. Claudio Soto Gamboa was appointed to the Board of the Central Bank of Chile, effective 23 January 2024, for a term of ten years 10. He replaces Deputy Governor Pablo García Silva.

Through Board Resolution N° 2617-01-240125 of 24 January 2024, the Central Bank Board unanimously approved the appointment of Ms. Stephany Griffith-Jones as Deputy Governor, effective from that date through 24 December 2025, which is the ending date of her term as Board Member.

EVELYN ADASME MATUS
General Accountant

JUAN PABLO ARAYA MARCO
General Manager (I)

SILVIA QUINTARD FLEHAN
Comptroller and Auditor General