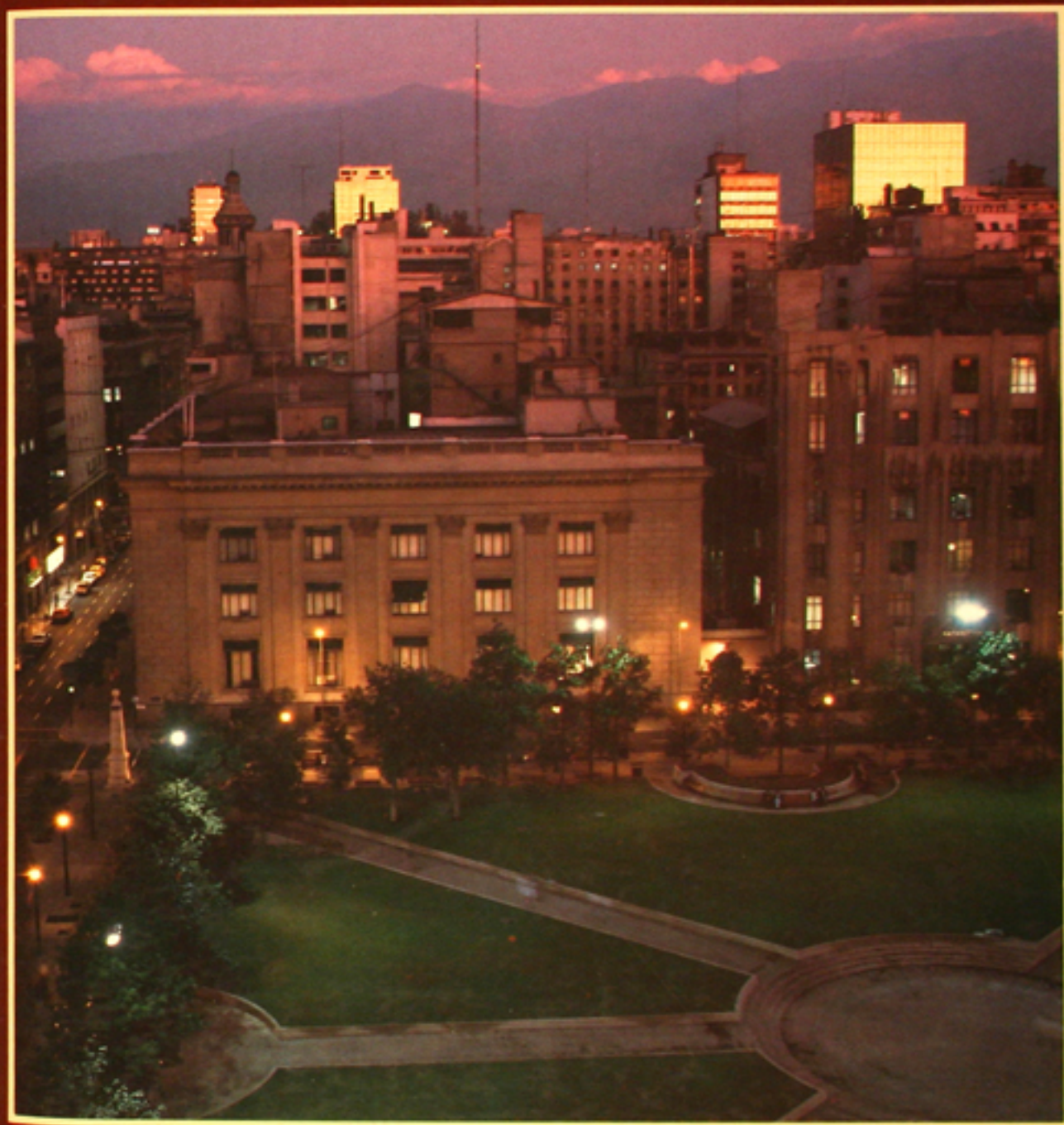


BANCO
CENTRAL DE CHILE
ANNUAL REPORT 1984





BANCO CENTRAL DE CHILE

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APRIL 1985



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59th

ANNUAL
REPORT

SUBMITTED
TO THE SUPERINTENDENCY
OF BANKS AND FINANCIAL
INSTITUTIONS
1984

AUTHORITIES OF BANCO CENTRAL DE CHILE

As of December 31, 1984

EXECUTIVE COMMITTEE

FRANCISCO IBAÑEZ BARCELO
Chairman and President of the Bank

FELIX RUIZ CRISTI
Vice Chairman and Vice President of the Bank

CARLOS MOLINA ORREGO
General Manager

GENERAL COUNSEL

JOSE A. RODRIGUEZ VELASCO

DIRECTORS

JOSE LUIS CORVALAN BUCHER
Administration

FERNANDO ESCOBAR CERDA
Financial Policy

FRANCISCO GARCES GARRIDO
International Affairs

CLAUDIO PARDO ECHEVERRIA
Executive Committee Advisor

HERNAN SOMERVILLE SENN
Coordinator Foreign Debt

ENRIQUE TASSARA TASSARA
Financial Representative New York Office

MANAGERS

AMBROSIO ANDONAEGUI ONFRAY
Treasurer-General

JOSE L. ARBILDUA ARAMBURU
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Monetary Operations

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Personnel

JORGE TAGLE SCHJOLBERG
Financial Administration

BRANCHES

As of December 31, 1984

ARICA

HERMANN SCHAFER SIGGELKOW
Chief Foreign Trade Office

IQUIQUE

LUIS JUSTINIANO RODRIGUEZ
Agent

ANTOFAGASTA

ERICK HEINSOHN DEL CAMPO
Agent

VALPARAISO

PATRICIO TORTELLO ESCRIBANO
Manager

CONCEPCION

IGNACIO KLEIN LATORRE
Agent

PUERTO MONTT

RAUL HELMKE BORNSCHEUER
Agent

PUNTA ARENAS

RENE CHATEAU SPENCER
Agent



BANCO CENTRAL DE CHILE

Santiago, April 30, 1985

To
Guillermo Ramírez Vilardell
Superintendent of Banks
and Financial Institutions
Santiago

Pursuant to article 53 of the Organic Law of
the Monetary Council and Central Bank of Chile, we are submitting
herewith the Annual Report of this Institution for 1984.

ENRIQUE SEGUEL MOREL
President

CARLOS MOLINA ORREGO
General Manager

ALFONSO SERRANO SPOERER
Vice President

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I REPORT

Introduction

This Annual Report contains the Balance-Sheet and Financial Statements of Banco Central de Chile as of December 31, 1984. A more extensive discussion on the financial and economic performance of the country is included in the publication "Economic Report of Chile, 1984", which is issued together with this Annual Report and is enclosed to the same.

The Balance-Sheet and Financial Statements are presented within the economic and accounting framework adopted in 1982. This allows to know not only the accounting and financial position of the Institution, but also to evaluate its significance in economic affairs, providing thus an adequate outlook of the role performed by Banco Central de Chile in the period discussed.

Role of Banco Central de Chile during 1984

In 1984, Banco Central de Chile took up a decisive role carrying out efforts in order to bring the financial system back to normality after the crisis suffered by the country during the last years. In fact, during this period, a group of measures intended for supporting both financial institutions as well as debtors was adopted.

Within the first item, it should be noted the implementation of programs dedicated to make banking management more flexible: enlarging terms in the acceptance of losses, provisions for risky assets, setting up of cash position and limits of borrowing. It is also important to emphasize the role assumed by Banco Central de Chile on buying risky credits from institutions.

Basically, this meant a substitution of deteriorated assets by others that could allow generating a reasonable margin of operation.

A policy of debt-reprogramming in order to support debtors of the financial system was established, both for mortgage loans as well as for loans in foreign currency.

Besides, in order to support the economic upturn process, special credit lines for productive sectors were adopted. Among these, the following should be noted:

- Credit line for Working Capital
- Credit line for Remunerations Financing
- Credit line for Additional Hiring of Labor
- Credit line for Housing Constructions and Engineering Works.

The implementation of a banking capital reformulation policy should be also emphasized, based on its private ownership promoting at the same time savings and the spreading of ownership of the financial institutions. In fact, this program which has been given the name of "Popular Capitalism", along with permitting the improvement of the financial institutions and the greater spreading of ownership of these, is a solution in agreement with a system of market economy and, besides, an interesting tool which allows a more important presence of the community at the capital ownership of the economy.

Together with the above mentioned, Banco Central de Chile played an important role in the accomplishment of the conditions stipulated by the Agreement with the International Monetary Fund. The monetary handling carried out during the year set as goal to fulfill the aim of international reserves as well as to keep a low rate of inflation and to support the upturn process of the economy.

General Description of the Economic Policy in 1984

During the years 1983 and 1984, the performance of the economic policy has been devoted to reorganize the economy, both through specific actions as well as through policies undertaken in order to overcome the financial crisis, along with an overall action dedicated to balance domestic and external accounts. Although the measures adopted by the economic authorities during these years have been characterized by an austere management of

the political tools, a combination of controlling domestic expenses and external financing of the resulting expenses in excess has been kept.

On deciding to combine both policies, proving that the Chilean economy has already suffered a significant adjustment in its levels of consumption, had a dramatic influence, so that increasing the internal component of the adjustment could seriously engage the medium-term growth possibilities of the economy by means of a lower level of investment.

A second important component into the short term policy has been the expectation, both domestic and external, about the fact that the upturn of the activity levels in the industrial economies, which has been suggesting during the last years should give birth to an improvement in the price of raw material and, at the same time, in the terms of trade of the country.

Even though the upturn of the activity levels of the Chilean economy, starting from the second semester of 1983, shows an important result of the economic policy, this does not reflect a permanent solution of the problems which our economy is suffering while the external outlook still disagrees with the one implicit in the policy management performed.

Then, overcoming the difficulties of Chilean economy requires domestically, not only the keeping of moderate and organized policy tools —so to frame the expense level into its possibilities of financing— but also to take measures aimed to increase the possibilities of growth and external creditworthiness in the medium term. In this sense, undoubtedly, the adoption of promotion policies to export and to investment forms basic foundations of the medium-term economic policies.

Performance of the Economy

Chilean economy suffered an important upturn on its economic activity during 1984, demonstrating thus a break in the recessive process experienced by the country from 1981. The G.D.P. increased by 5.9% during the year as compared to the previous year. This favoured most of the productive sectors of the country.

This remarkable improvement in the overall performance of the economy is still more noteworthy if we consider the important deterioration presented in the external economic stage, which was reflected mainly in a new drop of our exports price, together with increases in the international interest rates the country must pay to solve its financial commitments.

The revival experienced was achieved without engaging the external balance of the economy. So that, during 1984, we may observe a virtual equilibrium in the balance of payments of the country, even if certain alterations appeared in the accounts of the same. Along with this, the strong economic recovery developed without any rebirth of unrestrained inflationary pressures, in spite of the relative price adjustments presented during the period under analysis. The inflation accumulated this year was about 23% , if measured according the variation of the consumer prices. It should be noted that the Chilean situation regarding growth levels and inflation rates makes an exception among the worrying picture presented by the other Latin American countries.

Another hint in 1984 was the important increase recorded in employment during the period. The growth of the economy together with the keeping of an austere wage policy, permitted a growth of about 11% in the employment as compared to 1982 levels. A more significant growth occurred in the employment generated by the productive sector, that is to say, not considering those people working in government programs of labor.

The positive evolution of the economy was mainly due to the conservative and wise management of the policy tools available to the economic authority. Even if it is true that the recovery of the levels of activity and employment have constituted a prior aim of the current economic policy, it is also true that the fulfillment of the agreement with the I.M.F., together with the strict service of the external debt have defined a realistic and pragmatic aim that looks for the basis of a steady growth in the long term and a reliable position of external payments.

As a consequence of the above mentioned, and once verified the deterioration in the external situation of the country, several measures were adopted during last September to soften the impact that the external frame was

causing in the economy. In fact, the authority had to devalue the national currency in about 24%, and to raise at the same time the average tariff rates from their level of 20% up to 35%. In this way we tried to avoid that the deterioration in the external front became into a loss of international reserves and a public imbalance which escaped the resources available to finance them. This avoided new problems in the balance of payments and in the inflation levels.

Keeping a type of high real exchange by means of successive modifications to the nominal value of the foreign exchange, still is a basic element into the recovery program. Along with this the tariff increase has been established in a transitory way, building up at the same time a schedule of tax rebates. All of this confirms one of the basic ideas of the economic development model the country has followed during the last ten years: the growth based on the external opening of our economy.

As a consequence of this, it is important to point out the effort of the country to increase its exports in order to mitigate the negative effect produced on the external accounts due to the drop of the prices of our principal export products. So, during 1984, the value of the non-copper exports grew in 4.6%, while the figure of the amount of products exported increased by 4.2% with respect to the previous year.

The changes in current external economic trends, when affecting the level of domestic expense, had a direct influence on the course of the G.D.P. during the year. Thus, during the first half of the year, took place a very high rate of growth of the activity level, which declined towards the end of the year as a consequence of the adjustment policies taken in September. According to provisional estimates, the rates of quarterly growth of the product were 6.4%, 7.9%, 6.8% and 4.3%, respectively.

The course shown by G.D.P. during 1984 explains once again the enormous influence of the international economic situation on the evolution of Chilean economy, in spite of the efforts that the economic policy could do in order to mitigate the negative effects of harmful changes in the external front for the Chilean economy.

Prospects for 1985

The evolution of the economy during 1985 will be closely linked with the events in the external sector mainly regarding to interest rates and copper price.

Even though there is no agreement about this, it seems difficult to see major decreases in the levels of the external interest rates. Besides, the general declined the inflation levels registered in industrial countries causes important increases in the real cost of financial obligations service.

On the other hand, although improvements in copper prices and other exports are expected, we do not think they will be able to reverse essentially the secular deterioration of the terms of trade of the country.

The above mentioned will mean that, if there are no essential improvements in these external variables, the country will have to assign about an 11% of the G.D.P. only to the service of the external debt. Without doubt, this will have to keep the economic policy within a reasonable and austere scheme.

Notwithstanding this, the basis for a steady and non inflationary growth are already set up. The government will try to look for an active revival of the role the private sector plays as the engine of the economy. In this sense, the rescheduling of public finances —with the lesser tax and financial pressures involved— is an important step in that direction. Besides, the policy of financial normalization will go on, both directly or by means of debtors aid programs.

All of this, together with a realiste exchange policy and a well designed promotion of our exports, will permit to increase basically the balance of trade surplus. Inflation will keep levels of about a 20% per annum, while employment will continue its fast expansion as a result of the greater activity in the private sector.

Within the discussed scheme, it is highly important the contribution of external financing because, as allows a high level of investment, it encourages

the possibilities of growth in the economy and, at the same time, its capacity to face the financial commitments. This is considered within a strategy of opening to external trade, in which the expansion of the tradeable sector plays an outstanding role.

Administrative Issues

During 1984, the Administrative Division carried out its program of organization and coordination of the resources available, being its goal a correct administrative and accounting support to every section of the Bank, including technical advice in the fields of roles organization and computation, in order to improve the operating and control procedures the Institution has to develop.

In the program of work designed for the year, special concern has been kept in maintaining and updating the basic guidelines taken in previous years, in the sense of:

- To aim to a greater administrative effectiveness in the operations performed by the different units.
- To keep emphasis on the existence of written administrative patterns and procedures, associated with the functions under the responsibility of the Division.
- To faster the adoption of new systems of information supported on computation.
- To encourage the active and responsible participation at the different sections in achieving the program, and
- To get a coordinate action of the subordinate units, in order to avoid duplicity of efforts in the achievement of the program.

Among the most remarkable tasks into the program, we may point out the following:

- a) In terms of personnel administration, the computational design of a new Informational System was adopted, covering the areas of remunerations, personnel record and qualifications.

A general review of Charge Evaluation System, and a study on Charge Requirements control were made, and a new System of Performance Qualification with computational support was implemented.

The Bank went on, also, with its training program, aimed to develop its human resources.

- b) Construction works were begun tending to renew the fire, electric and telephone systems that should be finished in 1985, due to the obsolescence of the existing equipment.
- c) In the area of Finance and Accounting, the new Department of Financial Evaluation has developed several studies to evaluate the effects on the accounting and financial statements of the Bank, which cause new credit lines, refinancing, and other measures of our economic character accepted by the Executive Committee.
- d) Due to the transfer of the Securities Safekeeping and Administration Department to the Division, a complete research of its functions was carried out, including the checking of accounting and administrative procedures, the study of control mechanisms and security standards, and everything related to personnel, that is to say, number of employees, prerequisites and description of charges.
- e) In the informatics area has started a computational system of credit lines administration, an automatic control system of refinancing applications, and the computational administration of the portfolio sold to the Bank.

Likewise, the imports area has been supported, by means of creating a new base of statistical data, by controlling the 5% deposit for the collection operations, through an advanced selling of foreign exchange and operations coverage, in a term of less than one year.

In the area of reserves administration, were developed a computational pattern which allows to register and administrate any kind of financial instrument, and the interconnection with SWIFT, the system of international communications.

On the other hand, in the area of international exchange, were devised computational systems to support the control on the exchange standing of financial institutions and on drawing applications.

Finally, the Area started a plan of computational interconnection with the different Agencies.

- f) The Area of Organization and Methods gave support to the different units of the Institution, by means of the elaboration of Administrative procedures, coordinating with the Units of Development and Operations of Systems.

Publications

Banco Central de Chile has permanently given a great emphasis to the diffusion of economic data through its publications, which provide updated record on the different aspects of the national economic development.

The information policy continued during 1984 with traditional publications such as "Monthly Bulletin", "Financial Sector Loans and Deposits Report", "Foreign Trade Indicators", and "Monetary and Financial Synthesis". Likewise, the "Annual Report", the "Economic Report of Chile", the "Economic and Financial Report" and the "Statistical Synthesis of Chile" were published, both in Spanish and English. Also, bilingual editions of "Foreign Debt of Chile", "Relevant Aspects of Foreign Investment" and "Foreign Investment Statute" were published.

All of these publications were submitted to detailed revisions which allowed both to increase their quality and to get a better distribution.

It should be noted among the new publications the updated edition of "Chilean National Accounts: 1960-1983".

Finally, it is interesting to emphasize that the library continued with the acquisition of economic books and periodicals, thus allowing to improve its specialized services highly useful for the employees of Banco Central de Chile and for the public in general.

ORGANIC STRUCTURE

BANCO CENTRAL
DE CHILE

As of December 31, 1984

III BALANCE SHEET

BANCO CENTRAL
DE CHILE

as of December 31, 1984



BALANCE - SHEET

AS OF DECEMBER 31, 1984
(million pesos)

Chilean Currency
and F/C equiv.
(US\$ 1 = \$ 127,80)
(Gold \$ 1 = \$ 230,93)

ASSETS

EXTERNAL ASSETS		474,197.3
RESERVE	445,220.9	
Gold and Foreign Currency	301,601.5	
Holdings of Special Drawing Rights	1,471.7	
IMF Subscription Payments	55,281.5	
Bonds, Certificates of Deposit & Other	57,487.6	
Reciprocal Credit Agreements	26,563.6	
Other Securities	2,815.0	
OTHER EXTERNAL ASSETS	28,976.4	
Contributions to Other International Organizations	23,532.2	
Interest Receivable	3,910.3	
Other Securities	1,533.9	
DOMESTIC ASSETS		1,269,194.4
DOMESTIC CREDIT	1,237,231.9	
Credits to the Treasury	159,120.2	
Credits to State-Owned Enterprises	29,793.0	
Credits to Banco del Estado	104,314.9	
Credits to Commercial Banks	736,402.8	
Credits to Other Institutions	207,601.0	
OTHER DOMESTIC ASSETS	31,962.5	
OTHER ASSET ACCOUNTS		682,733.3
TOTAL ASSETS		2,426,125.0



LIABILITIES

EXTERNAL LIABILITIES		717,784.8
RESERVE	182,471.5	
IMF Credits	99,770.4	
Reciprocal Credit Agreements	27,419.4	
IMF Deposits	55,281.7	
OTHER EXTERNAL LIABILITIES	520,012.2	
Loans and Other Obligations	474,278.2	
Accounts with Other International Organizations	30,618.5	
Interests payable	15,115.5	
SDR ALLOCATIONS	15,301.1	
DOMESTIC LIABILITIES		1,005,093.4
ISSUANCE	88,235.8	
Bills and Coins in Circulation	79,006.4	
Deposits of Financial Institutions (D/C)	9,229.4	
OTHER DEPOSITS AND OBLIGATIONS	378,564.4	
Deposits & Obligations with the Treasury	26,654.8	
Other	351,909.6	
DOCUMENTS ISSUED BY THE CENTRAL BANK	524,523.5	
OTHER DOMESTIC LIABILITIES	13,769.7	
OTHER LIABILITY ACCOUNTS		544,812.7
CAPITAL AND RESERVES		157,520.0
Capital	50.0	
Buffer Fund	124,650.3	
Contingency Fund	32,819.7	
Reserve for Equity Capital Rev.: Equity Capital Rev. 1984 48,588.1 Monetary Adjustment (Net) (109,924.9) Distr. to Buffer & Cont. Fund from Res. for Equity Capital Rev. 61,336.8		
SURPLUS		914.1
TOTAL LIABILITIES		2,426,125.0



INCOME STATEMENT

(For the period from January 1 to December 31, 1984)

	Current pesos (million)	
OPERATING INCOME		
Interest and Discounts Earned	112,106.4	
Exchange Profit	49,081.7	
Other	<u>353.4</u>	
TOTAL OPERATING INCOME	<u>161,541.5</u>	
OPERATING EXPENDITURE (Less)		
Interest and Discounts Paid	165,172.9	
Exchange Losses	81,478.1	
Other	<u>2,896.1</u>	
TOTAL OPERATING EXPENDITURE	<u>249,547.1</u>	
OPERATING RESULT		(88,005.6)
FIXED OVERHEAD (less)		
Admin., Rem., Other	2,720.8	
Depr., Write-off, Prov.	<u>25,952.7</u>	
TOTAL FIXED OVERHEAD	<u>28,673.5</u>	<u>(28,673.5)</u>
NET OPERATING EXPENDITURE		<u>(116,679.1)</u>
OTHER INCOME (Plus)		<u>117,593.2</u>
SURPLUS		<u>914.1</u>



MEMORANDUM ACCOUNTS

	Current pesos (million)
TREASURY OPERATIONS	4,933.1
DOMESTIC CREDIT OPERATIONS	202.7
EXCHANGE & EXTERNAL CREDIT OPERATIONS	41.9
SAFEKEEPING & SECURITY OPERATIONS	150,582.9
 TOTAL	 <u>155,760.6</u>

Notes 1 to 18 below are an integral part of the above Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING CRITERIA APPLIED

(a) PRINCIPLES

The financial statements as of December 31, 1984 were prepared according to generally accepted accounting principles, rules issued by the Superintendency of Banks and Financial Institutions where applicable, and provisions of the Organic Law of the Central Bank of Chile (DL 1,078). The Superintendency rules differ from generally accepted accounting principles as regards provisions on loans.

(b) PARITIES

Assets and liabilities in foreign currencies are shown in pesos at the rates of exchange for each currency at year-end, as set by the Superintendency of Banks and Financial Institutions.

Under instructions from the Superintendency of Banks and Financial Institutions, assets and liabilities denominated in Chilean gold bullion pesos were valued at the average London morning Gold Fixing rate (US dollars per ounce troy fine) for all business days in the preceding quarter, less 10 per cent.

The main rates used at year-end are as follows:

	\$
Chilean gold bullion	230,930
US Dollar	127,800
Pound Sterling	150,176
Deutsche Mark	40,975
Special Drawing Rights (SDR)	125,497

(c) LOANS AND OBLIGATIONS

Non-indexed loans and obligations are shown at original value or value at latest renewal, except for purchased commercial paper or discounted documents, which are shown at nominal value at maturity. Indexed balances include adjustments earned by the date of the balance-sheet and balances in foreign currency include the respective exchange adjustments.

Interest accrued as of the end of the year is included under Other External Assets and Other External Liabilities when in respect of operations with residents abroad, and under Investments and Other Assets and under Other Domestic Liabilities when in respect of operations with residents in Chile. Interest paid and not accrued from obligations is included under Other Asset Accounts. Interest received and not accrued from loans is included under Other Liability Accounts.

(d) NON-PERFORMED LOANS

This item is included under Other Asset Accounts and includes all loans outstanding 90 days after maturity. Interest receivable on such loans and adjustments where applicable are calculated and accounted for until maturity only.

(e) FINANCIAL INVESTMENTS

External financial investments, which are shown under Reserve Assets broken down into bonds, certificates of deposit, and other, basically include bonds and instruments issued by Governments, foreign institutions, and banks, valued at investment cost. Interest receivable is shown under Other External Assets.

(f) TANGIBLE FIXED ASSETS

Tangible fixed assets are included under Other Asset Accounts and are shown at cost plus legal revaluations, net of cumulative depreciation. Depreciation was calculated by the linear method, considering years of useful life of the goods. Breakdown is given in note 3.

(g) COMPENSATION FOR YEARS OF SERVICE

Compensation for years of service is payable by the Bank as an acquired right of Bank staff; it was calculated on the basis of present value (accrued cost) plus interest at 8 per cent per annum. The balance of the obligation as of December 31, 1984 amounts to \$ 104.7 million and is included under Other Liability Accounts.

(h) PROVISIONS ON LOANS

In 1984, pursuant to the powers of the Executive Committee, the Bank allowed for provisions on non-performed loans and individual provisions on loans considered likely to prove irrecoverable, according to the Executive Committee Agreement N° 1,621 of December 1984. These provisions are included under Other Liability Accounts and the associated charge to the profit-and-loss account is shown in note 9.

(i) SHARES IN AND CONTRIBUTIONS TO, THE INTER AMERICAN DEVELOPMENT BANK (IDB) AND CONTRIBUTIONS TO THE INTERNATIONAL MONETARY FUND (IMF)

Shares and contributions from Chile to the Inter American Development Bank and the International Monetary Fund are valued at acquisition cost and at value of contribution plus adjustments where appropriate.

Shares in and contributions to, the IDB are shown under Other External Assets as Contributions to Other International Organizations.

Contributions to the IMF in both domestic and foreign currency are shown under Reserve Assets as IMF Subscription Payments. Shares in and contributions to, the IDB and contributions to the IMF, as expressly provided under DL 2,943 of November 8, 1979, are considered investments.

(j) GOLD AND FOREIGN CURRENCY RESERVES

Pursuant to article 41 of DL 1,078 (Organic Law of the Central Bank), the Bank is bound to keep a reserve fund in gold, foreign currency, or both.

Under Reserve Assets the item Gold and Foreign Currency includes 210.7 million gold pesos which correspond to the Gold Reserve Fund.

(k) INCOME AND EXPENDITURE ACCOUNTS

Financial income and expenditure are entered on the basis of accrued value.

Profit-and-loss balances in domestic currency, except for depreciations, account for cumulative values corresponding to peso amounts entered at the time of the transactions involved.

(l) MONETARY ADJUSTMENT

This year —as in 1983— the net result of monetary adjustment of non-monetary assets and liabilities is shown in the Capital and Reserve accounts.

The effect of applying this criterion are described in note 8.

(m) COMPARATIVE BALANCE-SHEET

The Comparative Balance-Sheet shown in note 14 is adjusted according to the following guidelines:

Assets and liabilities in domestic currency and profit-and-loss accounts in the balance-sheet as of December 31 of the previous year are adjusted by the variation in the Consumer Price Index (CPI) between November 30 of last year and November 30 of the present year. Assets and liabilities in foreign currency are adjusted according to the variation in the US dollar exchange rate for accounting purposes, as set by the Superintendency of Banks and Financial Institutions, between December 31 of last year and December 31 of the present year.

2. CRITERIA FOR PRESENTING FINANCIAL STATEMENTS

Balance-sheet presentation, as approved by the Superintendency of Banks and Financial Institutions, is framed in an economic-accounting scheme that reveals the accounting and financial position of the Bank while simultaneously aiding economic analysis of Central Bank operations by clearly distinguishing whether they are conducted with domestic or external agents. In this way Central Bank participation in the domestic supply of monetary assets and credit may be assessed together with its effect on the Bank's external creditor position.

The economic concepts of international and issue reserves are thus shown respectively under Reserve and Issue Assets and Liabilities.

3. TANGIBLE FIXED ASSETS

The following is a breakdown of tangible fixed assets as of December 31, 1984.

(Million pesos)					
	Previous value (Net) Dec. 31, '83	Year's variation	Year's revaluation	Year's depreciation	Net book value Dec. 31, '84
Real estate	2,031.0	(0.9)	498.7	(109.4)	2,419.4
Furniture and fixtures	233.9	75.9	69.8	(64.2)	315.4
Vehicles	23.0	(0.6)	9.2	(9.0)	22.6
Works of art	58.9	—	13.0	—	71.9
Collections of bills, coins, medals, etc.	35.9	—	8.0	—	43.9
Total Fixed Assets	2,382.7	74.4	598.7	(182.6)	2,873.2

4. OTHER ASSETS

Includes interest and commissions receivable on Domestic Assets amounting to \$ 31,962.5 million.

5. OTHER ASSET ACCOUNTS

Mainly includes tangible fixed assets for \$ 2,873.2 millions, purchase of US dollars with repurchase agreement for \$ 315,802.9 million, past-due credits for \$ 12,727.6 million, portfolio purchased from financial institutions for \$ 106,349.7 million, and Treasury notes for \$ 218,467.1 million.

6. OTHER DEPOSITS AND OBLIGATIONS

"Other" mainly includes mandatory deposits on foreign credits for \$ 14,104.0 million, public sector time deposits for \$ 50,515.6 million, deposits under Resolution 1470 (peso current accounts denominated in US dollars) for \$ 1,217.7 million, Banco del Estado deposits for \$ 101,058.9 million, and foreign currency current accounts for \$ 10,030.5 million, debit balance of \$ 31,093.2 million originated by purchase of promissory notes to the State Bank, \$ 9,839.0 million in advanced import payment deposits, \$ 16,781.1 million in short-terms deposits, and \$ 102,100.9 million in deposits in accordance N° 1.578.

7. OTHER LIABILITY ACCOUNTS

Mainly includes provisions for \$ 80,810.3 million, reimbursement funds under reciprocal credit agreements for \$ 5,867.2 million, foreign currency to be sold for purchase of US dollars for \$ 348,075.4 million, income received and not accrued for \$ 999.1 million, and bills of exchange for purchase of portfolio from financial institutions for \$ 106,349.7 million.

8. MONETARY ADJUSTMENT

To allow financial statements to reflect the effect of variations in currency purchasing power in the year, financial monetary adjustment was applied in order to discount equity capital and non-monetary assets and liabilities in accordance with the variation suffered by the "Unidad de Fomento", the Exchange Rate, and the CPI, where applicable.

The net effect of this operation is shown directly in the capital and reserve accounts. The result of monetary adjustment was a charge of \$ 109,924.9 million pesos as follows:

	(Million pesos)	
	Charges	Credits
Equity capital	48,588.1	
Adjustable liabilities	70,145.6	
Adjustable loans		153,443.6
Exchange position settlement	180,962.0	25,637.7
Gold reserve fund		9,989.8
Tangible fixed assets		598.7
Other assets		101.0
Net effect on capital & reserves		109,924.9
Total	<u>299,695.7</u>	<u>299,695.7</u>

9. PROVISIONS AND WRITE-OFFS

Provisions and writeoffs during the year moved as follows:

	(Million \$)
-Write-offs charged to previous year provisions	103.6
-Recovery of previous year provisions	(63.6)
-Write-offs charged to present year results	156.0
Total as of December 31, 1984	<u>196.0</u>
-Individual provisions charged to present year results	9.0
-Remainder of individual previous year provisions	54,714.0
Total as of December 31, 1984	<u>54,723.0</u>
-Overall provisions for loans & investments portfolio charged to present year results	-
-Remainder of overall previous year provisions	404.5
Total as of December 31, 1984	<u>404.5</u>
-Provision Agreement No. 1,621	25,578.1
Total as of December 31, 1984	<u>25,578.1</u>

The charge to the year's results arising from provisions set up amounting to \$ 25,587.1 million, is included under depreciations, write-offs, and provisions in the income statement.

10. CAPITAL AND RESERVES

Capital and reserves accounts moved in 1984 as shown below:

	(Million pesos)					
	Capital	Contingency Fund	Buffer Fund	Equity cap. revaluation reserve	Surplus 1984	Total
Balances as of January 1, 1984,	50.0	45,194.3	173,106.4	—	741.8	219,092.5
Distribution 1983 surplus & repayment of credits to Treasury (fiscal remainder)		506.1			(741.8)	(235.7)
Equity capital revaluation				48,588.1		48,588.1
Monetary adjustment for the year				(109,924.9)		(109,924.9)
Equity capital revaluation reserve distribution		(12,880.7)	(48,456.1)	61,336.8		—
Surplus for the year					914.1	914.1
Balance as of December 31, 1984	50.0	32,819.7	124,650.3	—	914.1	158,434.1

11. INCOME TAX

Pursuant to DL 3,345 of April 24, 1980, the Central Bank is exempt from income tax.

12. PREFERENTIAL EXCHANGE RATE

Under resolutions No. 1462, 1466, 1484 and 1556, of the Executive Committee, the Central Bank provided that certain obligations incurred in foreign currency or indexed in foreign currency terms before August 6, 1982 may be repaid at a preferential exchange rate, the Central Bank bearing the difference between this rate and the rate prevailing on the date of payment, which is recognized to the extent that beneficiaries take advantage of the measure. In 1984, this form of payment amounted to \$ 38,933.3 million.

13. CHANGE OF DEBT DENOMINATION FROM FOREIGN CURRENCY TO DOMESTIC CURRENCY (BANCO CENTRAL DE CHILE, EXECUTIVE COMMITTEE AGREEMENTS No.1,578 AND No.1,600):

The Executive Committee of Banco Central de Chile by means of Agreements No. 1,578 and No.1,600 allowed certain foreign currency debts —either engaged in foreign currency or in domestic currency but indexed according to the exchange rate— subject to rescheduling, to be prepaid through new loans denominated in "Unidad de Fomento". Being the difference between the exchange rate in force the day of prepayment and the exchange rate as of September 17, 1984, expressed in "Unidad de Fomento" (0,047015 U.F.), and considering its value as of the day of prepayment, a charge of Banco Central de Chile.

As of December 31, 1984, the cost of changing debts denominated in foreign currency to domestic currency amounted to \$ 27,610.1 million.

14. COMPARATIVE BALANCE-SHEET

The figures of the Balance-Sheet as of December 31, 1984 and for the Balance-Sheet as of December 31, 1983 are compared below:

	(Million pesos)	
	1984	1983
ASSETS		
EXTERNAL ASSETS	474,197.3	433,847.1
Reserve	445,220.9	405,373.3
Other external assets	28,976.4	28,473.8
DOMESTIC ASSETS	1,269,194.4	1,012,456.5
Domestic credit	1,237,231.9	994,139.8
Other domestic assets	31,962.5	18,316.7
OTHER ASSET ACCOUNTS	682,733.3	499,736.1
Total Assets	2,426,125.0	1,946,039.7
LIABILITIES		
EXTERNAL LIABILITIES	717,784.8	485,999.3
Reserve	182,471.5	132,212.3
Other external liabilities	520,012.2	337,473.5
SDR allocations	15,301.1	16,313.5
DOMESTIC LIABILITIES	1,005,093.4	778,993.4
Issue	88,235.8	88,557.9
Other deposits and obligations	378,564.4	226,782.8
Documents issued by Central Bank	524,523.5	450,292.5
Other domestic liabilities	13,769.7	13,360.2
OTHER LIABILITY ACCOUNTS	544,812.7	413,316.0
CAPITAL AND RESERVES	157,520.0	266,824.5
SURPLUS FOR THE YEAR	914.1	906.5
Total liabilities	2,426,125.0	1,946,039.7
PROFIT AND LOSS ACCOUNTS		
Operating income	161,541.5	101,380.9
Operating expenditure (less)	(249,547.1)	(156,814.1)
Fixed overhead (less)	(28,673.5)	(65,939.4)
Other income (plus)	117,593.2	122,279.1
Surplus for the year	914.1	906.5

15. FUNDS TRANSFER FROM GOVERNMENT TO BANCO CENTRAL DE CHILE:

According to the Law No. 18,358 of November 19, 1984, the Government will transfer to Banco Central de Chile an amount up to 192 million of "Unidades de Fomento". In the present year the Government will transfer to Banco Central the amount of 53 million of "Unidades de Fomento" through giving 30 year-term treasury promissory notes. The amount transferred has been accounted as extraordinary income of the year under the item Other Income, while the promissory notes are included under the item Other Assets Accounts.

16. BALANCES IN FOREIGN CURRENCIES AND GOLD

	(Million US\$)	
	1984	1983
ASSETS		
EXTERNAL ASSETS	3,220.4	2,965.6
Reserve	3,141.2	2,866.3
Gold	540.1	566.7
Foreign currencies	2,601.1	2,299.6
Other external assets	79.2	99.3
DOMESTIC ASSETS	2,120.2	2,276.8
Domestic credit	2,043.3	2,215.4
Investments & other assets	76.9	61.4
OTHER ASSET ACCOUNTS	370.5	6.3
Total assets	5,711.1	5,248.7
LIABILITIES		
EXTERNAL LIABILITIES	4,175.2	2,727.5
Reserve	214.5	140.8
Other external liabilities	3,841.0	2,459.0
SDR allocations	119.7	127.7
DOMESTIC LIABILITIES	4,270.5	3,188.5
Issue	—	—
Other deposits & obligations	2,035.1	1,510.1
Documents issued by the Central Bank	2,183.7	1,631.4
Other domestic liabilities	51.7	47.0
OTHER LIABILITY ACCOUNTS	(2,734.6)	(667.3)
Total liabilities	5,711.1	5,248.7

17. AGREEMENT WITH BANCO DEL ESTADO

The Executive Committee of Banco Central de Chile after agreement with Banco del Estado de Chile decided—in Session No. 1,621 of December 27, 1984—to modify the portfolio transfer contract, held on May 31, 1982 between both institutions in order to establish a new program of the price balance of the transfer.

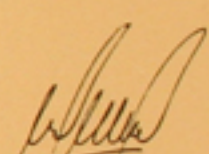
The effect of this agreement on the financial statements of Banco Central de Chile meant an increase in its operational income of \$ 14,433.2 million and in its monetary income of \$ 39,099.7 million.

18. SURPLUS OF THE YEAR

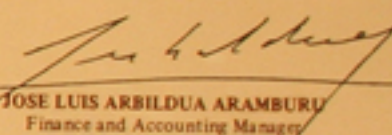
According to the Organic Law of the Bank, the Executive Committee—in a Session held on January 9, 1985—agreed to assign the surplus of the year to pay the outstanding debts the Government had with the Bank.



ALEJANDRO BOBBERT HANDMANN
Acting General Accountant Manager



CARLOS MOLINA ORREGO
Colonel (R)
General Manager



JOSE LUIS ARBILDUA ARAMBURU
Finance and Accounting Manager

AUDITORS' REPORT

To the Chairman and Members of the
Executive Committee of the Central Bank of Chile:

We have examined the balance-sheet of the Central Bank of Chile as of December 31, 1984 and the associated income statement for the twelve-month period ending on that date. Our examination was performed in accordance with generally accepted accounting principles; accordingly, it included selective accounting entry tests and other auditing procedures to the extent we judged them necessary under the circumstances.

As pointed out in note 1 (a), the Central Bank of Chile prepares and submits its financial statements based on rules and accounting practices issued by the Superintendency of Banks and Financial Institutions.

In our opinion, the above financial statements have been prepared pursuant to the rules and accounting practices issued by the Superintendency of Banks and Financial Institutions and to the provisions of its own Organic Law described in the notes appended to such statements.

LANGTON CLARKE
COOPERS AND LYBRAND

VIVIAN CLARKE LEVI

Santiago, January 10, 1985.

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