COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LIMITADA

Condensed interim financial statements

June 30, 2017

CONTENTS

MCh$ - Millions of Chilean pesos

pwc

REPORT OF INDEPENDENT AUDITORS
(Free translation from the original in Spanish)

Santiago, August 25, 2017

Chairman and Members of the Board of Directors
Cooperativa del Personal de la Universidad de Chile Limitada

We have reviewed the accompanying condensed financial information of Cooperativa del Personal de la Universidad de Chile Limitada which compromise the condensed interim statement of financial position as of June 30, 2017, and the related condensed interim statements of income and cash flows for the six-month periods ended June 30, 2017 and 2016 and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial information of Cooperativa del Personal de la Universidad de Chile Limitada in accordance with the accounting standards issued by the Superintendence of Banks and Financial Institutions that apply to Savings and Loans Cooperatives. This responsibility includes the design, implementation and maintenance of a relevant internal control for the preparation and fair presentation of financial statements in accordance with the applicable framework for the preparation and presentation of financial information.

Auditor's responsibilities

Our responsibility is to perform our review in accordance with generally accepted auditing standards in Chile applicable for the review of financial information. A review of financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Chile, the objective of which is the expression of an opinion regarding the financial information taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial information, for them to be in conformity with accounting standards issued by the Superintendence of Banks and Financial Institutions that apply to Savings and Loans Cooperatives.

PricewaterhouseCoopers

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LIMITADA

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COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION (UNAUDITED)
As of June 30, 2017 and December 31, 2016
(In millions of Chilean pesos)

	June 30, 2017	December 31, 2016
	MCh$	MCh$
ASSETS		
Cash and bank deposits	34,229	32,995
Instruments held for trading	9,202	6,001
Loans and accounts receivable from customers	1,249,344	1,199,840
Instruments available-for-sale	115,118	115,121
Investments in companies	28	26
Intangible assets	5,448	5,865
Property, plant and equipment	8,655	8,472
Receivable taxes	239	247
Other assets	10,446	7,155
TOTAL ASSETS	**1,432,709**	**1,375,722**
LIABILITIES		
Deposits and other demand liabilities	16,111	14,496
Deposits and other term borrowings	674,410	604,795
Financial liabilities	7,744	20,007
Debt instruments issued	254,516	256,107
Income tax payable	494	846
Provisions	40,805	55,054
Other liabilities	21,767	18,609
TOTAL LIABILITIES	**1,015,847**	**969,914**
EQUITY		
Paid-in capital	303,486	292,333
Cumulative reserves	112,911	112,911
Surplus from prior period	-	-
Valuation reserve	465	564
Profit for the year	32,496	42,690
Less:		
Readjustment of quota subscriptions	(3,579)	-
Provisions for distributions on paid in capital and surplus	(28,917)	(42,690)
TOTAL EQUITY	**416,862**	**405,808**
TOTAL LIABILITIES AND EQUITY	**1,432,709**	**1,375,722**

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.
CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
For the six-month periods ended June 30, 2017 and 2016
(In millions of Chilean pesos)

	June 30, 2017 MCh$	June 30, 2016 MCh$
Interest and readjustment income	107,209	98,327
Interest and readjustment expense	(18,929)	(19,531)
Interest and readjustment income, net	**88,280**	**78,796**
Fee and commission income	9,381	6,868
Fee and commission expense	(1,164)	(824)
Fee and commission income, net	**8,217**	**6,044**
Net profit from financial operations	146	1,061
Other operating income	239	622
Total operating income	**96,882**	**86,523**
Provision for credit risk	(15,387)	(14,801)
NET OPERATING INCOME	**81,495**	**71,722**
Staff compensation and related expenses	(24,931)	(24,841)
Administrative expenses	(19,720)	(13,174)
Depreciation, amortization and impairment	(2,614)	(2,361)
Other operating expenses	(1,225)	(1,204)
TOTAL OPERATING EXPENSES	**(48,490)**	**(41,580)**
Profit before tax	**33,005**	30,142
Income tax	(509)	(310)
PROFIT FOR THE PERIOD	**32,496**	**29,832**
Items that can be subsequently reclassified to profit for the period		
Other comprehensive income	**465**	**77**
Valuation of available-for-sale instruments	465	77
TOTAL COMPREHENSIVE SURPLUS FOR THE PERIOD	**32,961**	**29,909**

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
For the six-month periods ended June 30, 2017 and 2016
(In millions of Chilean pesos)

	Paid in capital MCh$	Cumulative reserves MCh$	Valuation reserve Available for sale investments MCh$	Retained earnings MCh$	Previous period surplus provision MCh$	Current period surplus provision MCh$	Readjustment of quota subscriptions MCh$	Total equity MCh$
Balance as of January 1, 2017	**292,333**	**112,911**	**564**	**42,690**	**(42,690)**	**-**	**-**	**405,808**
Quota subscription and payment of the period	11,153	-	-	-	-	-	-	11,153
Valuation of available for sale instruments			(99)					(99)
Profit for the period				32,496		(28,917)	(3,579)	-
Balance as of June 30, 2017	**303,486**	**112,911**	**465**	**75,186**	**(42,690)**	**(28,917)**	**(3,579)**	**416,862**

	Paid in capital MCh$	Cumulative reserves MCh$	Valuation reserve Available for sale investments MCh$	Retained earnings MCh$	Previous period surgplus provision MCh$	Current period surplus provision MCh$	Readjustment of quota subscriptions MCh$	Total equity MCh$
Balance as of January 1, 2016	**270,898**	**111,361**	**-**	**35,610**	**(35,610)**	**-**	**-**	**382,259**
Remmant paid	-	-	-	(35,610)	35,610	-	-	-
Quota subscription and payment of the period	10,575	-	-	-	-	-	-	10,575
Valuation of available for sale instruments			77					77
Profit for the period	-	-	-	29,832		(25,088)	(4,744)	-
Balance as of June 30, 2016	**281,473**	**111,361**	**77**	**29,832**	**35,610**	**(25,088)**	**(4,744)**	**392,911**

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2017 AND 2016
(In millions of Chilean pesos)

	June 30, 2017	June 30, 2016
	MCh$	MCh$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit for the year	**32,496**	**29,832**
Charges (credits) to profit that do not represent cash flows		
Depreciation and amortization	2,614	2,361
Provisions for credit risk	23,125	22,325
Income tax	509	310
Fair value of trading instruments	-	(355)
Increase in other assets and liabilities	(4,356)	(5,987)
Net changes in interest, readjustment and commission accrued on assets and liabilities	(5,601)	(6,819)
Changes in assets and liabilities affecting operating cash flows		
Increase in loans and receivables	(68,746)	(45,020)
Increase in deposits	70,522	68,111
Increase (decrease) in other demand and term deposits	3,302	(4,265)
Net cash flows from operating activities	**53,865**	**60,493**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in trading and available-for-sale investments	(2,313)	(28,285)
Purchase of property, plant and equipment and others	(972)	(2,638)
Purchase of intangible assets and construction in progress	(1,879)	(2,966)
Net cash flows used in investing activities	**(5,164)**	**(33,889)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in financial liabilities with Chilean financial institutions	-	17,000
Decrease in financial liabilities with Chilean financial institutions	(12,000)	(9,000)
Decrease in financial liabilities (bonds)	(3,909)	(3,849)
Decrease in other obligations	(21)	(307)
Quota subscription and payment	11,153	10,575
Surplus paid	(42,690)	(35,610)
Net cash flows used in financing activities	**(47,467)**	**(21,191)**
TOTAL NET POSITIVE CASH FLOWS FOR THE PERIOD	**1,234**	**5,413**
EFFECT OF INFLATION ON CASH AND CASH EQUIVALENTS	**-**	**-**
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	**1,234**	**5,413**
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	**32,995**	**21,795**
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	**34,229**	**27,208**

NOTE 1. COMPANY INFORMATION

The Cooperativa del Personal de la Universidad de Chile Limitada (hereinafter "Coopeuch Ltda." or the "Cooperative") is a legal entity incorporated by Constitution Law 1 dated October 31, 1967, which was subscribed to a public deed dated December 6, 1967. The Ministry of Economic Affairs, Development and Tourism authorized its creation and approved its bylaws in Decree 122 dated January 29, 1968, published in the Official Gazette 26,970 dated February 16, 1968. Its legal address is 1141, Agustinas Street, Santiago, Chile.

Coopeuch Ltda. is a savings and loans cooperative with an indefinite legal duration. It has variable capital stock and an unlimited number of shareholders. The Cooperative's equity belongs to the shareholders and is divided into capital shares expressed in Chilean pesos.

The Cooperative's purpose is to perform any transactions permitted by General Cooperative Law and the Regulations applicable to Savings and Loans Cooperatives, together with its shareholders and third parties, as well as to promote the Cooperative's principles and values among its members and promote their personal and financial well-being.

The Cooperative is subject to supervision and control by the Department of Cooperatives (hereinafter "Decoop") of the Ministry of Economic Affairs, Development and Tourism. Furthermore, according to Article 87 of General Cooperative Law, those Savings and Loans Cooperatives whose equity exceeds UF 400,000 are also subject to supervision and control by the Superintendency of Banks and Financial Institutions (hereinafter "SBIF") with respect to the economical transactions that fulfill to comply with its purpose.

NOTE 2. ACCOUNTING CHANGES

The SBIF, through Circular letter No.162 issued on August 19, 2015, instructed the application of the regulatory accounting framework described in the "Accounting Standards Compendium" which Cooperatives started applying on January 1, 2017, in the context of the project of convergence to International Financial Reporting Statements ("IFRS"). The retrospective cumulative effects of the accounting change determined as of December 31, 2016 were directly recorded to retained earnings and implied an increasing net credit of MCh$ 302.

The summary of the main changes to accounting criteria applied from January 1, 2017 is included below:

a) <u>Price-level restatement:</u>

As of December 31, 2016, paid-in capital, reserves, retained earnings, property, plant and equipment and other non-monetary balances were presented updated according to the variation of the Consumer Price Index (IPC).

Starting January 1, 2017, price-level restatement is no longer recognized since Chilean economy is not considered hyperinflationary, in accordance to the International Accounting Standard ("IAS") 29"Financial reporting in hyperinflationary economies". Price-level restatement recognized until December 31, 2016, transition date to the new standards, was not reversed. The amounts of price-level restatement that were applied to paid-in capital and reserves were reversed against equity as a part of the first-adoption adjustment.

In addition, Coopeuch has readjusted the value of shares of its partners, as per the variation of the Unidad de Fomento between December 31, 2015 and 2016, following the requirements of the General Law of Cooperatives.

b) <u>Employment benefit provision</u>

Until December 31, 2016, severance compensation that the Company must pay to employees was provisioned by applying the present value method of the benefit's accrued cost, based on a real annual discount rate. Starting January 1, 2017, the obligation of the post-employment benefit plan is measured by using the projected unit credit method, which includes variables such as employee turnover rate, expected wage growth and the probability of use of this benefit, discounted at the current rate for long term investments as per IAS 19 "Employee Benefits" requirements.

In addition, from January 1, 2017 onwards, the Cooperative recognizes a liability related to seniority bonus. The calculation of this obligation includes variables such as employee turnover, mortality rates and retirement ages discounted at the current rate for long-term investments as per IAS 19 requirements.

c) <u>Property, plant and equipment and intangibles:</u>

Until December 31, 2016, property, plant and equipment were presented at restated cost and net of accumulated depreciation. From January 1, 2017 onwards, property, plant and equipment and intangibles valued at historical cost, including the price-level restatement recognized until December 31, 2016. In the case of real estate, the Cooperative chose to use the fair value of such assets based on independent appraisals as attributed cost, as established by the Compendium of Standards.

d) <u>Impaired portfolio:</u>

From January 1, 2017 onwards, the concept of impaired portfolio is considered, comprising loans with borrowers on which there is concrete evidence that they will not comply with any of their obligations under the agreed payment conditions, irrespective of the possibility of recovering the amounts through collateral, by means of the execution of legal collection actions or negotiating different conditions.

Accordingly, Cooperatives must include loans in the impaired portfolio and keep them there until a normalization of their capacity and payment conduct is observed, without prejudice to proceed to write-off loans individually assessed.

e) <u>Interest income and readjustments:</u>

Until December 31, 2016, interest income and readjustments were calculated based on the nominal rate. Starting January 1, 2017, interest income and readjustments are recognized based on the effective interest rate method. The effective interest rate method is a procedure of calculating the amortized cost of a financial instrument by discounting the expected future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the instrument.

f) <u>Suspension of interest on accrual basis:</u>

Until December 31, 2016, recognition of interest income and readjustments considered the suspension of accrual under the following principles:

- Starting on the date in which a credit, partial payment or unpaid installment is 90 days due and until all amounts due are paid or renegotiated.
- Suspension of accrual of loans classified in D1 and D2 categories, from the classification date and until they are reclassified in a risk category lower than C4.
- For credits that have been classified during one year as C4 category, accrual is suspended starting on the date in which a year has passed and until they are not reclassified to a lower risk category.

(Millions of Chilean Pesos - MCh$)

Starting on January 1, 2017, recognition of interest on accrual basis is suspended for non-performing loans included in the impaired portfolio, as described below:

Individual assessment: Loans classified in categories D1 and D2	Classified in the default portfolio.
Individual assessment: Loans classified in categories C1 to C4	Classified in the default portfolio for three months.
Group assessment: Any loan, except for those with collaterals that reach at least 80%.	When the loan or one installment is due for 6 months.

Nevertheless, in the case of loans subject to individual assessment, the recognition of interest and readjustments of loans may be maintained under normal payment process circumstances and that correspond to obligations whose flows are independent, as it might occurs in the case of project financing.

g) Loans write-off:

Until December 31, 2016, the term required by the SBIF to recognize write-offs for the overdue portfolio was since its classification to the overdue portfolio. The overdue portfolio represented loans or loan installments that matured in the payment of capital or interests for 90 days or longer.

Starting January 1, 2017, write-off of loans and accounts receivable, other than leasing operations, is performed in the following circumstances, whichever occurs first:

a) The Cooperative, based on all information available, concludes that recovery is considered remote.
b) When a loan without executive title completes 90 days since it was recorded in the asset.
c) On the maturity of limitation of actions to demand collection through executive action or at rejection or abandonment of the implementation of the title by executed judicial decision.
d) When the period outstanding of an operation reaches the write off term shown below:

Loan type	Term
Consumer loans with or without collateral	6 months
Other operations without collateral	24 months
Commercial loans with collateral	36 months
Housing mortgage loans	48 months

The term corresponds to the time elapsing since the date in which the payment of all or part of the obligation in arrears becomes enforceable.

h) Renegotiations of written off loans:

Until December 31, 2016, when a renegotiation of written off loans was made, it was allowed to record a loan recovery.

Starting from January 1, 2017, any renegotiation of a loan already written-off does not give rise to the recognition of an income, as long as the operation continues under an impaired classification, therefore, effective payments received are treated as recoveries of written-off loans.

Consequently, the renegotiated loan is recognized if it is no longer considered with an impaired condition, and also recognizing the income from the capitalization as recovery of written-off loans.

The same criterion must be followed in case a loan is granted to pay a written-off loan.

(Millions of Chilean Pesos - MCh$)

i) Provision for reimbursement of insurance premiums:

Until December 31, 2016, the Cooperative did not recognize any provisions related to the future reimbursements of insurance premiums related to policy waivers and loan prepayments. The Cooperative has established a provision to comply with the IFRS requirements, based on the payment and collection records of the products portfolio that originated such commissions.

i) First-time adoption effects:

The summary of retrospective cumulative effects derived from the application of these new accounting criteria as of December 31, 2016 is shown below:

	December 31, 2016 under Old GAAP for Cooperatives	Reclassifications for presentation purposes	Closing balance	Adoption adjustments		December 31, 2016 under New GAAP por Cooperatives
ASSETS						
Cash and deposits in banks	32.980	15	32.995	0		32.995
Trading instruments	0	6.001	6.001	0		6.001
Loans and account receivables from customers	1.193.350	5.130	1.198.480	1.360	(d-f)	1.199.840
Available-for-sale instruments	121.122	(6.001)	115.121	0		115.121
Investment in companies	434	(408)	26	0		26
Intangible assets	0	6.167	6.167	(302)	(a-c)	5.865
Property, plant and equipment	7.753		7.753	719	(a-c)	8.472
Receivable taxes		247	247	0		247
Other assets	15.817	(8.651)	7.166	(11)	(a)	7.155
TOTAL ASSETS	**1.371.456**	**2.500**	**1.373.956**	**1.766**		**1.375.722**
LIABILITIES						
Deposits and other demand liabilities	32.587	(18.091)	14.496	0		14.496
Deposits and other term borrowings	604.795	0	604.795	0		604.795
Financial liabilities	20.007	0	20.007	0		20.007
Debt instruments issued	256.107	0	256.107	0		256.107
Provisions	0	49.932	49.932	5.122	(b-i)	55.054
Income tax payable	0	846	846	0		846
Other liabilities	6.106	12.503	18.609	0		18.609
TOTAL LIABILITIES	**919.602**	**45.190**	**964.792**	**5.122**		**969.914**
EQUITY						
Paid-in-capital	292.333	0	292.333	0		292.333
Retained earnings	116.267	0	116.267	(3.356)	(a)(*)	112.911
Reserves	564	0	564	0		564
Surplus for the year	42.690		42.690	0		42.690
Less:						
Provision for equity interest and surplus	0	(42.690)	(42.690)	0		(42.690)
TOTAL EQUITY	**451.854**	**(42.690)**	**409.164**	**(3.356)**		**405.808**
TOTAL LIABILITIES AND EQUITY	**1.371.456**	**2.500**	**1.373.956**	**1.766**		**1.375.722**

(*) Includes MCh$302 related to the effect in equity of adoption of the Compendium issued by the SBIF.

Accounting changes described in note 2 (e), (g) and (h) have prospective application, therefore these have not been included in the first adoption adjustments.

During the period ended June 30, 2017, there have been no other accounting changes that may affect the presentation of these consolidated financial statements.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

a) Basis of preparation

As set forth in the Compendium of Accounting Standards issued by the SBIF, regulatory body that, in accordance with Article No. 15 of the General Banking Act, is empowered to provide accounting standards of general application to entities subject to its supervision. The Savings and Loans Cooperatives must use the accounting principles set forth by that the SBIF and in all matters not covered by these and where not contrary to its instructions, should apply the generally accepted accounting criteria in accordance with the technical standards issued by the Chilean Institute of Accountants, which are generally consistent with IFRS as issued by the IASB. In case of any discrepancy between these generally accepted accounting principles and the instructions issued by the SBIF, the latter will prevail.

For comparability purposes, figures presented for the period ended June 30, 2016 were included in a basis consistent with those presented for June 30, 2017.

The Interim Financial Statements of the Cooperative, for the period ended June 30, 2017 were approved for issuance in accordance with the Management on August 25, 2017.

b) Basis of measurement

The financial statements have been prepared on the basis of historic costs except for the following:

- Held for trading instruments measured at fair value, through profit or loss.
- Available-for-sale instruments measured at fair value, through other comprehensive income.

c) Operating segments

Operating segments are determined on the basis of the different business units which provide products and services subject to risks and returns different from another operating segment. Management has defined that the Cooperative has a single reporting segment “Persons”.

d) Functional and presentation currency

The Cooperative has defined the Chilean peso as its functional currency. All the information presented herein is stated in Chilean pesos and has been rounded to the closest million unit.

e) Transactions in foreign currency

The Cooperative’s functional currency is the Chilean peso; consequently, all balances and transactions denominated in currencies other than the peso are considered to be denominated in “foreign currency”.

The Cooperative’s assets and liabilities in foreign currency are translated to the exchange rate of the functional currency as of the date of the Statement of financial position. All differences are debited or credited against income.

As of June 30, 2017 the Cooperative applied the exchange rate of Ch$663.21 per US$1.

f) Recognition and measurement of financial assets and liabilities

The Cooperative recognizes loans to customers, trading and investment securities, deposits, debt issued and other financial assets or liabilities on the trade date. Purchases and sales of financial assets performed on a regular basis are recognized as of the trade date on which the Cooperative committed to purchase or sell the asset. The measurement criteria of assets and liabilities recorded in the accompanying statement of financial position are the following:

(i) Assets and liabilities measured at amortized cost

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

The effective interest rate method is a procedure of calculating the amortized cost of a financial instrument by discounting the expected future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the instrument.

(ii) Assets measured at fair value

Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. . The fair value must reflect what the Cooperative would receive or pay when trading the instrument in the market, excluding the cost of sales or transfer.

When available, the Cooperative estimates the fair value of an instrument using quoted prices in an active market for that instrument. A market is considered active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Cooperative establishes fair value using a valuation technique. These valuation techniques include the use of recent market transactions between knowledgeable, willing parties in an arm's length transaction, if available, as well as references to the fair value of other instruments that are substantially the same, discounted cash flows and options pricing models.

Consequently, the Cooperative maintains all the financial instruments valued at market according to the current regulations, with their proper representation in the financial statements.

In order to increase the consistency and comparability of the fair value measurements and related information to disclose, the Cooperative uses and discloses hierarchies of the fair value that classify the inputs used in the valuation techniques to measure the fair value in three levels. The fair value hierarchy gives the highest priority to the instruments traded in active markets, where the "market price" is directly taken from the transactions of the day for identical assets (Level 1 inputs) and the lowest priority is for those instruments whose market value is obtained through the use of valuation techniques, statistics or econometrics (Level 3 inputs). The Level 2 inputs are instruments whose market value is obtained by "approximation" of the value of financial instruments that are traded actively in the market.

Financial instruments measured at fair value are described as follows:

- Available-for-sale financial instruments: A financial asset classified as available-for-sale is initially recognized at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset, subsequently measured at their fair value based on market prices or valuation models. Unrealized gains or losses as a result of fair value adjustments are recorded in "Other comprehensive income" within Equity. When these investments are sold, the cumulative fair value adjustment existing within equity is recorded directly in income under "Net financial operating income". Interest and indexations of available-for-sale instruments are included in the line item "Interest and readjustments".

- Held for trading instruments: Financial assets held-for-trading consist of securities acquired when a have short-term profit-generating pattern exists for an instrument or portfolio. Financial assets held-for-trading are stated at their fair market value as of the Statement of Financial Position date. Gains or losses from their fair market value adjustments, as well as gains or losses from trading activities, are included in "Gains (losses) from financial operations" in the Statement of Comprehensive Income.

g) Loans and accounts receivable from the customers

Loans are non-derivative financial assets with fixed or determined collection that are not quoted in an active market and that the Cooperative has no intention of selling immediately or in the short term.

Loans are initially measured at fair value plus the direct transaction costs and they are subsequently measured at amortized cost using the effective rate method. Impairment is recognized through the recognition of credit risk provisions as described in Note 3 r).

Loans and accounts receivable from customers are presented net of such credit risk provisions and in the case of contingent loans, they are shown in liabilities under "Provisions".

h) Contingent loans

Contingent loans are all those operations or commitments in which the Cooperative is exposed to a credit risk when making a commitment before third parties, in the occurrence of a future event, to perform a payment or disbursement that must be recovered from its customers, similar to guarantees granting, issuance or confirmation of letters of credit, issuance of performance bonds, lines of credit of immediate availability, etc.

Contingent loans are not recorded as assets. However, in order to mitigate the credit risk, an impairment provision for the eventual loss, and release if applicable, is recognized in the line item "Credit risk provisions" of the comprehensive income statement.

In order to calculate the provisions on contingent loans, as set forth by Chapter B-1 of the Compendium of Accounting Standards issued by the SBIF, the amount of exposure that must be considered shall be equivalent to the percentage of the amounts of contingent loans indicated below:

Type of contingent loan	Exposure
Free disposal lines of credit	35%
College education loans, Law N° 20.027	15%
Other credit commitments	100%
Other contingent credits	100%

However, in the case of operations performed with customers with overdue loans, exposure shall be equivalent to 100% of its contingent loans.

i) Charge-offs

Generally, the charge-offs are produced when the contractual rights on cash flows end. In case of loans, even if the above does not happen, it will proceed to charge-offs the respective asset balances. The charge-off refers to the derecognition of the assets in the Statement of Financial Position, related to the respective transaction and, therefore, the part that could not be past-due if a loan is payable in installments, or a lease. The charge-off must be to make using credit risk provisions constituted, whatever the cause for which the charge-off was produced.

Charge-off loans to customers, other than leasing operations, shall be made in accordance to the following circumstances occurs:

a) The Cooperative, based on all available information, concludes that will not obtain any cash flow of the credit recorded as an asset.

b) When the debt (without "executive title", a collectability category pursuant to local law) meets 90 days since it was recorded as an asset.
c) At the time the term set by the statute of limitations runs out and as result legal actions are precluded in order to request payment through executive trial or upon rejection or abandonment of title execution issued by judicial and nonrecourse resolution.
d) When past-due term of a transaction complies with the following:

Lending type	Term
Consumer loans with or without collateral	6 months
Other operations without collateral	24 months
Commercial loans with collateral	36 months
Mortgage loans for housing	48 months

The term represents the time elapsed since the date on which payment of all or part of the obligation in default became due.

j) Loan loss recoveries

Cash recoveries on charge-off loans are recorded directly in income in the Statement of Comprehensive Income, as a reduction of the "Provisions for Loan Losses" item.

k) Income and expenses on interests and adjustments

Interest income and expenses are recognized in the income statement using the effective interest rate method.

Readjustments mainly correspond to the indexation related to the variation of the Unidad de Fomento (UF), whose value is Ch$26,665.09 as of June 30, 2017.

The Cooperative has suspended the recognition of interest income and readjustments for its impaired loans and accounts receivable with customers in the statement of income, which are only recorded once received. Suspension occurs in the following cases:

Loans subject to suspension	Suspended
Individual evaluation: Loans classified in D1 and D2 categories	Accrual is suspended by the sole fact of being in the impaired portfolio.
Individual evaluation: Loans classified in C1 and C4 categories	Accrual is suspended due to having been three months in the impaired portfolio.
Group evaluation: Any loans, except for those with collateral reaching at least 80%.	Accrual is suspended when payment of the loan or one of its installments has been overdue for six months.

l) Commission income and expenses

Commission income and expenses are recognized in the income statements based on different criteria according to their nature. The most significant ones are:

- Commissions earned from a single act are recognized once the act has taken place.
- Commissions earned from transactions or services provided over a longer period of time are recognized over the life of the transactions or services.
- Commissions which are linked to financial assets or liabilities, which are recognized upon collection.

m) Impairment

(i) Financial assets

A financial asset is evaluated at the reporting date to determine whether there is objective evidence of loss events that may originate an impairment in the future value of the asset.

An impairment loss for financial assets recorded at amortized cost is calculated as the difference between the carrying amount of the assets and the current value of the estimated cash flows, discounted at the original effective interest rate.

An impairment loss in relations to available-for-sale instruments is calculated using its fair value, considering fair value changes already recognized in other comprehensive income. All impairment losses are recognized in income and any amounts previously recognized in equity in relation to an available-for sale financial asset is transferred to the statement of comprehensive income.

The reversal of an impairment loss occurs only if this can be objectively related to an event occurred after it was recognized.

(ii) Non-financial assets

The carrying amount of the Cooperative's non-financial assets, excluding deferred taxes, are reviewed at each reporting date, to determine whether there is any evidence of impairment. If such indication exists, the recoverable amount of the asset is then estimated.

n) Investment in companies

The investments in companies recorded in the financial statements as of June 30, 2017 are those in which the Cooperative has not significant influence, and these are presented at cost.

o) Intangible assets and Software

The intangible assets held by the Cooperative as of June 30, 2017, are presented at cost, less any accumulated amortization according to the remaining useful life of the asset.

The subsequent disbursements are capitalized when it increases the future economic benefit for the specific asset.

Estimated useful live are as follows:

Software	4 years

p) Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. Cost includes expenses that have been directly attributed to the acquisition of the asset.
When part of an item of fixed assets has a different useful life, they are recorded as separate items (significant components of fixed assets).

Depreciation is recognized in the statement of comprehensive income based on the method of straight-line depreciation over the useful lives of each part of an item of fixed assets.
The estimated useful lives are as follows :

Own building and offices	10 years
Computer equipment	4 years
Furniture	3 years
Machines and equipment	2 years
Refurbishing of leased offices	5 years

The methods of depreciation, useful lives and residual values are calculated on each reporting date.

q) Statements of cash flows

The indirect method has been used in the preparation of the consolidated statement of cash flows by which, starting from the Cooperative's income, non-monetary transactions are added as well as inflows and outflows associated with investing and financing activities.

The following concepts have been taken into account in the preparation of the consolidated statement of cash flows:

(i) Cash and cash equivalents correspond to "Cash and Bank Deposits"
(ii) Operating activities: related to normal activities carried out by the Cooperative and other activities that cannot be classified as of investing or financing.
(iii) Investing activities: relate to the acquisition, disposal or disposition by other means of long-term assets and other investments not included in cash and cash equivalents.
(iv) Financing activities: correspond to activities that produce changes in the size and composition of equity and liabilities that are not part of operating and investing activities.

r) Allowance for credit risk

The allowances required to cover the risk of loan losses, including contingent loans, are calculated and made on a monthly basis, in accordance with the standards defined by the SBIF.

In accordance with the SBIF requirements, certain methods or models are used, based on the individual and collective assessment of the borrowers, in order to recognize credit risk allowances.

s) Individual Assessment

The individual evaluation of the borrowers is necessary when it involves companies which, due to their size, complexity or level of exposure with the entity, are required to be known and analyzed in detail.

The analysis of the borrowers is focused on their capacity and availability to comply with their credit obligations by means of sufficient and reliable information, and analyzing their credits in matters of guarantees, terms, interest rates, currency, readjustment, etc.

For the effects of creating the provisions, loans must be classified in their corresponding risk category,: Normal Risk and Above Normal Risk.

Loan Portfolio in Normal Risk

The Loan Portfolio in Normal Risk includes those borrowers whose payment capacity allows them to comply with their obligations in the contractually agreed terms, and accordingly, this category includes only those borrowers which strength makes unnecessary to perform an assessment of the loan recoveries in relation with the guarantees.

In addition, and because this category reflects the payment capacity of each borrower, partners with a significant worsening of their payment capacity with the Cooperative or third parties, and showing, for example, classifications in the overdue portfolio, recurring default or in renegotiations involving interest capitalizations, even though the loans are fully covered with guarantees.

Normal risk portfolio is composed by borrowers who are up to date on their payment obligations and show no sign of deterioration in their credit quality and that do not present arrears over 30 days. The classifications assigned to this portfolio are categories A and B.

Categories A1 to A3: These categories includes borrowers with no apparent risks, whose ability to pay would continue to be good against unfavorable business, economic or financial situations. The classification in these categories will be made based on the relative strength of the borrowers, established according to the methods used by the Cooperative.

(Millions of Chilean Pesos - MCh$)

Category B: This category includes borrowers having sufficient credit quality but its ability to pay could be deteriorated in presence of adverse economic conditions. The borrower has a certain amount of flexibility to meet its financial obligations, but this is variable, i.e.: its ability to pay presents vulnerabilities to cyclical fluctuations in the economy or markets in which it participates. Among other, it is considered the borrowers' behavior evidenced in other systems and available information referring to delinquencies, claims, social security debts, labor or tax penalties. The borrower do not present significant current situations above mentioned at the moment of the classification.

The borrowers classified in the aforementioned categories are allocated to the following percentages of provision, which will be applied to the balance exposed at risk of each partner, which is composed of all its placements and contingent loans:

Category	% Provision
A1	0.0500
A2	0.1952
A3	2.6514
B	7.3645

Loan portfolio in Risk above Normal

In this segment, borrowers with insufficient payment capacity will be located in the current situation. The categories composing this portfolio correspond to a classification based on the level of expected loss of commercial loans and commercial leasing operations of the client as a whole, measured according to the methodology used by the Cooperative.

For purposes of establishing provisions, the following percentage associated with the expected loss percentages of each borrower shall be applied to the credits:

Classification	Expected loss percentage	Provision
C1	Up to 3%	2%
C2	More than 3% and up to 19%	10%
C3	More than 19% and up to 29%	25%
C4	More than 29% and up to 49%	40%
D1	More than 49% and up to 79%	65%
D2	More than 79%	90%

ii) Collective assessment

Collective assessment of loans applies when a large number of low-value individual operations are examined together. This type of assessment may include consumer loans, mortgages, and commercial loans with small businesses. The group evaluations, as well as the criteria to apply them, should be consistent with those made for the granting of credits.

To evaluate its credit portfolio, the Cooperative uses internal valuation methods appropriate to its type of portfolio. These internal evaluation methods and expected loss models were approved by the Board of Directors.

In order to recognize the necessary and sufficient provisions to cover the losses associated with the payment behavior of the partners and calculate the provisions using the expected loss models, the portfolios were segmented into homogeneous groups and, through technically developed estimates, the probability of default (PD) and the loss given default (LGD) for each group. The estimation of these parameters considers a historical record of five years, in order to cover possible recessive periods and to strengthen the estimation of such parameters, as established in the best regulatory practices on modeling. It is also considered the incorporation of new information and analysis of new parameters affecting the nature of the segment.

The following segments were considered:

- State payroll discounts
- Private payroll discounts
- Direct payment
- Renegociated
- Credit card
- Commercial

For the mortage segment, the Cooperative adopted the standard guidance established by the SBIF for financial institutions.

s) Additional allowances

As of June 30, 2017, the Cooperative maintains additional allowances for its loans portfolio amounting to MCh$2,500, which consider the expected impairment of such portfolio. The calculation of allowance is made based on the Cooperative's historical experience and considering adverse macroeconomic prospects or circumstances that may affect a sector, industry or group of borrowers or projects.

t) Provisions and contingent liabilities

Provisions are liabilities about which there is uncertainty about their amount or maturity. These provisions are included in the statement of financial position when the following requirements are met:

- It is a current obligation as a result of past events and, as of the date of the financial statements, it is probable that the Cooperative will have to disburse resources to settle the obligation and the amount of these resources can be measured reliably.

- A contingent asset or liability is any obligation arising from past events whose existence will be confirmed only if one or more future uncertain events occur and which are not under the Cooperative's control.

u) Leases

As of June 30, 2017, the Cooperative acts as a lessee and classified its agreements as operating leases. An operating lease is recognized as an expense on a straight-line basis for the duration of the lease, which starts when the lessee controls the physical use of the property.

v) Employee Benefits

The Cooperative has agreed compensation payments to its staff for years of service, for which provisions have been recognized, as indicated in note 2 b) of this report.

w) Tax regime

As per article N°17 of Decree-Law N°824, cooperatives are exempt of the corporate income tax, except for the part of the surplus that corresponds to operations performed with natural or legal persons, that are not partners. Consequently, the Cooperative does not recognize deferred taxes.

Current taxes have been calculated using the corporate income tax rate established in Law N°20,780, published on September 29, 2014.

x) Use of estimates in the financial statements

The preparation of the financial statements according to the accounting standards set forth by the SBIF requires management to perform estimates and assumptions that affect the reported balances of assets and liabilities, as well as the assets, liabilities, revenue and expense balances presented. Real results may differ from these estimates.

y) Seasonality of the Intermediate Period:

Due to the nature of its business, the Cooperative's activities do not have a cyclical or seasonal character.

z) New Accounting Pronouncements

The following new Standards and Interpretations have been issued but have not become in full force and effect as of June 30, 2017 (the Cooperative is currently evaluating the potential impact of adopting these new pronouncements:

IFRS 9 "Financial instruments" - The IASB has published the full version of IFRS 9 which substitutes the guidelines for the application of IAS 39. This final version includes requirements related to the classification and measurement of financial assets and liabilities and a form of expected loan loss that replaces the current form of incurred impairment loss. The hedge accounting part of this final version of IFRS 9 had already been published in November 2013. Its early adoption is permitted. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

IFRS 15, Revenues from Contracts with Clients" - Published on May 2014. This standard establishes the guidance that an entity must apply for the presentation of useful information to the users of the financial statements regarding the nature, amount, timing and uncertainty of the revenues and cash flows derived from agreements executed with clients. Therefore, the basic principle is that an entity will recognize the revenues that represent the transfer of goods or services promised to customers in an amount that reflects the consideration that the entity expects to be entitled to exchange for those goods or services. Its application supersedes IAS 11 "Construction Contracts"; IAS 18 "Ordinary Revenue"; IFRIC 13 "Customer loyalty programs"; IFRIC 15 "Contracts for the construction of real estate"; IFRIC 18 "Transfers of Assets from Customers"; and SIC-31 " Revenue - Barter Transactions Involving Advertising Services. Its early application is permitted. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 "Leases" - Published in January 2016. It establishes the principle for the recognition, measurement, presentation and disclosure of leases. IFRS 16 replaces current IAS 17 and introduces a single lease accounting model and requires a tenant or lessee to recognize the assets and liabilities of all leases executed for more than 12 months, unless the underlying asset is of a low value. The purpose is to ensure that lessees and lessors provide relevant information in a way that faithfully represents the transactions. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, its early application is permitted for entities applying IFRS 15 or before the date of the initial application of IFRS 16.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019

In accordance with the Compendium of Accounting Standards, these standards will not be applied as long as the SBIF does not approve that this standard will become a mandatory for all financial institutions.

NOTE 4. RELEVANT FACTS

For the period ended Jun 30, 2017 the Cooperative does not present relevant facts that have to be disclosed.

NOTE 5- TRADING INSTRUMENTS

As of June 30, 2017 and December 31, 2016, the detail of financial instruments designated as financial instruments held for trading is as follows:

	June 30, 2017 MCh$	December 31, 2016 MCh$
Investments in mutual funds		
Funds managed by third parties	9,202	6,001
Total	9,202	6,001

NOTE 6 – AVAILABLE-FOR-SALE INSTRUMENTS

As of June 30, 2017 and December 31, 2016, the instruments designated as available-for-sale are detailed as follows:

	June 30, 2017 MCh$	December 31, 2016 MCh$
Investments quoted in active markets:		
Government and Central Bank:		
Central Bank instruments	42,213	42,721
Instruments of the General Treasury of the Republic	72,905	72,400
Total	**115,118**	**115,121**

NOTE 7: LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS

As of June 30, 2017 and December 31, 2016, the composition of the loans portfolio is as follows:

	ASSETS BEFORE PROVISIONS			RECORDED PROVISIONS			
As of June 30, 2017	Normal portfolio MCh$	Impaired portfolio MCh$	Total MCh$	Individual provisions MCh$	Group provisions MCh$	Total MCh$	Net assets MCh$
Commercial loans:							
Commercial loans	14,217	4,829	19,046	1,366	250	1,616	17,430
Loans with CORFO funding or guarantee	7,042	1,028	8,070	118	645	763	7,307
Student loans	569	6	575	-	10	10	565
Subtotal	**21,828**	**5,863**	**27,691**	**1,484**	**905**	**2,389**	**25,302**
Mortgage loans:							
Other mortgage loans	325,673	47,215	372,888	-	7,294	7,294	365,594
Subtotal	**325,673**	**47,215**	**372,888**	**-**	**7,294**	**7,294**	**365,594**
Consumer loans:							
Consumer loans in installments, direct payment	106,640	33,505	140,145	-	32,464	32,464	107,681
Consumer loans in installments through payroll discounts	747,753	18,199	765,952	-	25,953	25,953	739,999
Credit cards	11,062	553	11,615	-	847	847	10,768
Subtotal	**865,455**	**52,257**	**917,712**	**-**	**59,264**	**59,264**	**858,448**
Total	**1,212,956**	**105,335**	**1,318,291**	**1,484**	**67,463**	**68,947**	**1,249,344**

	ASSETS BEFORE PROVISIONS			PROVISIONS RECORDED			
As of December 31, 2016	**Normal portfolio MCh$**	**Impaired portfolio MCh$**	**Total MCh$**	**Individual provisions MCh$**	**Group provisions MCh$**	**Total MCh$**	**Net assets MCh$**
Commercial loans:							
Commercial loans	17,916	-	17,916	959	242	1,201	16,715
Loans with CORFO funding or guarantee	7,820	-	7,820	55	503	558	7,262
Student loans	477	-	477	-	8	8	469
Sub total	**26,213**	**-**	**26,213**	**1,014**	**753**	**1,767**	**24,446**
Housing loans:							
Other mortgage loans for housing	368,869	-	368,869	-	8,609	8,609	360,260
Sub total	**368,869**	**-**	**368,869**	**-**	**8,609**	**8,609**	**360,260**
Consumer loans:							
Consumer loans in installments with direct payment	135,014	-	135,014	-	31,288	31,288	103,726
Consumer loans in installments through payroll discounts	728,993	-	728,993	-	26,197	26,197	702,796
Credit cards	9,623	-	9,623	-	1,011	1,011	8,612
Sub total	**873,630**	**-**	**873,630**	**-**	**58,496**	**58,496**	**815,134**
Total	**1,268,712**	**-**	**1,268,712**	**1,014**	**67,858**	**68,872**	**1,199,840**

NOTE 8 – DEPOSITS AND OTHER TERM BORROWINGS

At June 30, 2017 and December 31, 2016, the composition of this caption is as follows:

	June 30, 2017 MCh$	December 31, 2016 MCh$
Partner term deposits	114,551	109,016
Third party term deposits	243,583	197,584
Partner term savings accounts	152,733	144,190
Third party term savings accounts	163,543	154,005
Total	**674,410**	**604,795**

NOTE 9 – DEBT INSTRUMENTS ISSUED

At June 30, 2017 and December 31, 2016, the composition of this caption is as follows:

	June 30, 2017 MCh$	December 31, 2016 MCh$
Bonds	254,516	256,107
Total	**254,516**	**256,107**

Debt instruments issued at June 30, 2017 is detailed as follows:

Series	Amount MM$	Term	Effective Interest rate	Issuance date	Maturity date	Currency
B2	56,279	20 Years	4,60% Annual	06-01-2009	06-01-2029	UF
C	44,880	21 Years	3,85% Annual	07-10-2013	07-10-2034	UF
D2	72,835	25 Years	3,80% Annual	05-05-2014	05-05-2039	UF
E2	80,522	25 Years	3,50% Annual	03-01-2015	03-01-2040	UF
Total	**254,516**					

NOTE 10 – Subsequent events

At July 13, 2017, the Cooperative entered into a cash flow hedge (Cross Currency Swap UF fixed / fixed CLP) with a nominal amount of UF 951.508 in a five year term.

There are no other events that may significantly affect the presentation of the same in the period between June 30, 2017 and the date of issuance of the present financial statements.

Eric Urrutia Martínez	Rodrigo Silva Iñiguez
Chief Accountant	**General Manager**