

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LIMITADA

Annual Financial statements

As of December 31, 2016 and 2015

CONTENTS

Independent auditors report  
Statements of Financial Position  
Statements of Income  
Statements of Cash Flows  
Notes to the financial statements

MCh\$ - Millions of Chilean pesos





INDEPENDENT AUDITORS' REPORT  
(Translation from the original in Spanish)

Santiago, January 31, 2017

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

We have audited the accompanying financial statements of Cooperativa del Personal de la Universidad de Chile Limitada (hereinafter the “Cooperative”), which comprise the statements of financial position as of December 31, 2016 and 2015 and the related statements of income and cash flows for the years then ended and the related notes to the financial statements.

*Management responsibility for the financial statements*

Management is responsible for the preparation and fair presentation of these financial statements of Cooperativa del Personal de la Universidad de Chile Limitada in accordance with 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 that are free from material misstatement, whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with generally accepted auditing standards in Chile. Those standards require that we plan and perform our work to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant for the preparation and fair presentation of the financial statements of the Cooperative in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, we do not express such an opinion. An audit also includes evaluating the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.



Santiago, January 31, 2017  
Cooperativa del Personal de la Universidad de Chile Limitada  
2

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of Cooperativa del Personal de la Universidad de Chile Limitada as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended, in accordance with accounting standards issued by the Superintendencia of Banks and Financial Institutions that apply to Savings and Loans Cooperatives.

*Emphasis of Matter*

As indicated in Note 18, on August 19, 2015 the Superintendencia of Banks and Financial Institutions issued Circular letter No. 162 applicable to Savings and Loans Cooperatives. According to this circular, financial statements from 2017 onwards should be prepared according to the "Accounting Standards Compendium", issued by the Superintendencia of Banks and Financial Institutions to cooperatives. Any accounting matters not dealt with by this compendium should be treated in accordance with Chilean Generally Accepted Accounting Principles (GAAP), which are the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

PRICEWATERHOUSE COOPERS

**COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.**STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31,  
2016 AND 2015

(In millions of Chilean pesos - MCh\$)

	<b><u>2016</u></b> <b>MCh\$</b>	<b><u>2015</u></b> <b>MCh\$</b>
<b><u>ASSETS</u></b>		
Cash and banks	<u>32,980.5</u>	<u>22,412.1</u>
Loans and receivables		
Commercial loans	24,769.1	23,121.2
Consumer loans	867,781.4	817,624.2
Other current loans	355,817.6	366,309.5
Overdue portfolio	<u>14,822.2</u>	<u>7,387.0</u>
<b>Total loans and receivables</b>	<b><u>1,263,190.3</u></b>	<b><u>1,214,441.9</u></b>
Less: Allowance for loan losses	<u>(69,840.4)</u>	<u>(67,046.6)</u>
<b>Total net loans and receivables</b>	<b><u>1,193,349.9</u></b>	<b><u>1,147,395.3</u></b>
Investments:		
Other financial investments	121,122.1	85,767.5
Other non-financial investments	<u>434.3</u>	<u>458.2</u>
<b>Total investments</b>	<b><u>121,556.4</u></b>	<b><u>86,225.7</u></b>
<b>Other assets</b>	<b><u>15,815.5</u></b>	<b><u>18,375.8</u></b>
Property, plant and equipment	<u>7,753.4</u>	<u>3,029.5</u>
<b>TOTAL ASSETS</b>	<b><u>1,371,455.7</u></b>	<b><u>1,277,438.4</u></b>

The accompanying notes 1 to 18 are an integral part of these financial statements.

**COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.**STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31,  
2016 AND 2015

(In millions of Chilean pesos - MCh\$)

	<b>2016</b> MCh\$	<b>2015</b> MCh\$
<b><u>LIABILITIES AND EQUITY</u></b>		
<b>Liabilities</b>		
Deposits and other obligations		
Deposits	604,794.5	515,190.6
Other on demand and term deposits	<u>32,587.6</u>	<u>32,337.1</u>
Total deposits and other obligations	<u>637,382.1</u>	<u>547,527.7</u>
Financial liabilities (Bonds)	<u>256,106.8</u>	<u>265,393.2</u>
Financial liabilities with financial institutions and others		
Financial liabilities with Chilean financial institutions	19,304.6	26,586.6
Other obligations	<u>702.6</u>	<u>953.4</u>
Total loans payable to financial institutions and others	<u>20,007.2</u>	<u>27,540.0</u>
Other liabilities	<u>6,106.2</u>	<u>5,707.0</u>
Total liabilities	<u>919,602.3</u>	<u>846,167.9</u>
Equity		
Capital and reserves	408,599.7	394,627.6
Revaluation accounts	564.2	-
Net income for the year	<u>42,689.5</u>	<u>36,642.9</u>
Total equity	<u>451,853.4</u>	<u>431,270.5</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b><u>1,371,455.7</u></b>	<b><u>1,277,438.4</u></b>

The accompanying notes 1 to 18 are an integral part of these financial statements.

**COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.**STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015  
(In millions of Chilean pesos - MCh\$)

	<u>2016</u> MCh\$	<u>2015</u> MCh\$
<b>Operating income</b>		
Interest and readjustment income	193,624.8	188,854.2
Commissions income	21,428.3	21,724.9
Other operating income	726.0	1,360.4
	<hr/>	<hr/>
<b>Total operating income</b>	<b>215,779.1</b>	<b>211,939.5</b>
Less:		
Interest and readjustment expense	(38,389.7)	(41,598.5)
Gain (loss) on revaluation of investments	355.1	(533.8)
Gain (loss) on foreign exchange	193.3	(8.6)
Commissions expense	(1,759.6)	(2,025.6)
Other operating expenses	(36.0)	(46.6)
	<hr/>	<hr/>
<b>Gross margin</b>	<b>176,142.2</b>	<b>167,726.4</b>
Staff remuneration and expenses	(52,321.1)	(47,689.1)
Administrative and other expenses	(25,733.0)	(26,199.2)
Depreciation and amortization	(4,961.5)	(3,018.2)
	<hr/>	<hr/>
<b>Net margin</b>	<b>93,126.6</b>	<b>90,819.9</b>
Provisions for assets at risk	(51,245.9)	(51,340.4)
Recovery of loans receivable written off	14,179.3	13,738.8
	<hr/>	<hr/>
<b>Net operating income</b>	<b>56,060.0</b>	<b>53,218.3</b>
<b>Non-operating income</b>		
Non-operating income	947.1	576.8
Non-operating expenses	(1,914.3)	(1,584.0)
Inflation adjustments	(11,551.0)	(14,856.7)
	<hr/>	<hr/>
<b>Net Income before tax</b>	<b>43,541.8</b>	<b>37,354.4</b>
Income tax expense	(852.3)	(711.5)
	<hr/>	<hr/>
<b>NET INCOME FOR THE YEAR</b>	<b>42,689.5</b>	<b>36,642.9</b>
	<hr/>	<hr/>

The accompanying notes 1 to 18 are an integral part of these financial statements.

**COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.**

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015  
(In millions of Chilean pesos - MCh\$)

	<u>2016</u>	<u>2015</u>
	MCh\$	MCh\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
<b>Net income for the year</b>	<b>42,689.5</b>	<b>36,642.9</b>
<b>Charges (credits) not affecting cash flow</b>		
Depreciation and amortization	4,961.5	3,018.2
Provisions for assets at risk	51,245.9	51,340.3
Income tax provision	852.3	711.5
Inflation adjustments	11,551.0	14,856.7
(Gain) loss on revaluation of investments	(355.1)	533.8
Net changes in interest, readjustment and commission accruals	(9,596.7)	2,278.3
<b>Net cash flows provided by operating activities</b>	<b>101,348.4</b>	<b>109,381.7</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net increase in loans and receivables	(120,293.9)	(101,641.9)
Net increase in investments	(34,372.3)	(31,459.4)
Purchase of property, plant and equipment and others	(3,555.0)	(759.2)
Purchase of intangible assets and construction in progress	(2,414.2)	(3,886.0)
Net increase in other assets and liabilities	(1,866.4)	(3,021.2)
Net decrease in derivative contracts	-	41.4
<b>Net cash flows used in investing activities</b>	<b>(162,501.8)</b>	<b>(140,726.3)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Increase in deposits	105,437.7	35,122.9
Increase (decrease) in other on demand and term deposits	1,125.1	(2,126.9)
Decrease in financial liabilities with Chilean financial institutions	(4,000.5)	(47,909.1)
Decrease in financial liabilities (bonds)	(7,727.9)	(17,529.0)
Increase in financial liabilities (bonds)	-	75,620.7
Decrease in other obligations	(218.8)	(604.1)
Capital stock increase	13,348.0	12,007.8
Net income distributed	(35,610.2)	(25,544.7)
Legal reserve for surpluses over 5 years (Art.100 of Regulations governing Cooperative Law).	-	(4.1)
<b>Net cash flows provided by financing activities</b>	<b>72,353.4</b>	<b>29,033.5</b>
<b>TOTAL NET POSITIVE (NEGATIVE) CASH FLOWS FOR THE YEAR</b>	<b>11,200.0</b>	<b>(2,311.1)</b>
<b>EFFECT OF INFLATION ON CASH</b>	<b>(631.6)</b>	<b>(729.8)</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>	<b>10,568.4</b>	<b>(3,040.9)</b>
<b>OPENING BALANCE OF CASH AND CASH EQUIVALENTS</b>	<b>22,412.1</b>	<b>25,453.0</b>
<b>CLOSING BALANCE OF CASH AND CASH EQUIVALENTS</b>	<b>32,980.5</b>	<b>22,412.1</b>

The accompanying notes 1 to 18 are an integral part of these financial statements.

## COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.

### NOTES TO THE FINANCIAL STATEMENTS (In millions of Chilean pesos - MCh\$)

#### NOTE 1. COMPANY INFORMATION

The Cooperativa del Personal de la Universidad de Chile Limitada (hereinafter "Coopeuch Ltda." or the "Cooperative") is a legal entity formed 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 its own 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.

Its purpose is to perform any transaction permitted by General Cooperative Law and the Regulations applicable to Savings and Loans Cooperatives, together with its shareholders and third parties. To promote cooperative 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. PRINCIPAL ACCOUNTING POLICIES

- a. Information provided** - These financial statements have been prepared in accordance with accounting standards contained in the Updated Compilation of Standards ("UCS") issued by the SBIF that apply to Savings and Loans Cooperatives.

For comparison purposes, the figures for 2015 have been updated to reflect the change in the Consumer Price Index of 2.9%.

- b. Interest and readjustments** – Loans and receivables and financial liabilities are presented with their interests and readjustments accrued at the reporting date each year. However, the prudent criteria of suspending the accrual of interests and readjustments on over-due and high-risk loans and receivables has been followed.
- c. Inflation adjustments** - Non-monetary assets and liabilities, such as capital, property, plant and equipment, and others, are indexed according to changes in the Consumer Price Index (CPI), as required by Chapter 7-3 of the UCS and ratified by Ord. 7,759 issued by the Department of Cooperatives on December 21, 2009. As of December 31, 2016, this adjustment mechanism resulted in a net debit to net income of MCh\$ 11,551.0 (MCh\$ 14,856.7 in 2015). Accounts presented in the net income statement are not adjusted for inflation, accordingly, the net income for the year is not affected.
- d. Foreign Currency** - The assets and liabilities denominated in United States dollars at the reporting date are presented at their equivalent in pesos, calculated at the rate of \$667.29 per US\$ 1 (\$707.34 per US\$ 1 in 2015).
- e. Financial investments** - Investments in financial instruments are investments in term deposits, mutual funds and bonds issued by the Chilean Central Bank (BCU) and the Chilean General Treasury (BTU). The valuation policies are described below:
- Term deposits: Investments in permanent-term deposits are made with the intention of keeping them until maturity. These investments are presented at their acquisition value, plus accrued interest and readjustments.



## COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.

### NOTES TO THE FINANCIAL STATEMENTS

(In millions of Chilean pesos - MCh\$)

- Mutual funds: Investments in mutual funds are presented at their market value on the reporting date.
  - BCU and BTU Bonds: These investments are classified as permanent financial instruments with a secondary market, and are presented at market value with their changes recognized in equity.
- f. Financial derivatives** - Contracts for financial derivatives are initially recognized at cost (including transaction costs) and subsequently measured at fair value. Fair value is obtained from market quotes and cash flow discount models, as appropriate, including present and future relevant market estimates of the size and liquidity of these positions. They are presented as assets when their fair value is positive and as a liability when this is negative, in the "Other assets" or "Other liabilities" line items, respectively.
- g. Property, plant and equipment** - These are valued at cost plus inflation adjustments and net of depreciation calculated on a straight line basis over the useful life of the respective assets.
- h. Intangible assets** - These are identifiable intangible assets and software investments, net of accumulated amortization. Investments in software and trademark licenses are valued at cost plus inflation adjustments and depreciated on a straight-line basis over their estimated useful life. The amortization period for software investments shall not exceed 6 years.
- i. Allowance for loan losses** – Allowances required to cover the risk of losses on assets have been established in accordance with the standards issued by the SBIF. Such assets are presented net of these allowances, or presented net of this allowance as in the case of loans and receivables.
- As of December 31, 2016 and 2015, the Cooperative has additional provisions on its loans and receivables portfolio of MCh\$ 2,500, which includes expected portfolio impairment. This provision is calculated based on the Cooperative's past experience and the potential adverse macroeconomic expectations, or the circumstances that may affect a particular sector, industry, debtor group or project.
- j. Staff vacations** - The annual cost of staff vacations is recorded on an accrual basis.
- k. Severance provision for years of service** -The severance provision for years of service that the Cooperative must pay to employees is calculated by applying the present value method to the accrued benefit, with an annual discount rate of a 1.34% (1.65% in 2015).
- l. Cash flow** - The cash flow statement has been prepared using the indirect method.
- m. Cash and cash equivalents** - For the purpose of the cash flow statement, cash and cash equivalents are cash and bank balances included under the heading "Cash and banks" in the financial position statement.
- n. Income tax regime** - Article 17 of Decree Law 824 states that cooperatives are exempt from income tax, except for the part of net income that corresponds to transactions carried out with natural persons or legal entities who are not shareholders. As a result, the Cooperative does not recognize deferred tax.
- Current income taxes have been based on the income tax rates contained in Law 20,780, published on September 29, 2014.
- o. Estimated figures in the financial statements** - Preparing financial statements in accordance with accounting standards issued by the SBIF requires management to make certain estimates and assumptions that affect the reported assets and liabilities, as well as the reported revenue and expenses during the reporting period. The actual figures may differ from these estimated amounts.

# COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.

## NOTES TO THE FINANCIAL STATEMENTS (In millions of Chilean pesos - MCh\$)

### NOTE 3. ACCOUNTING CHANGES

- a) The Cooperative has updated its model for calculating its credit risk provision on the mortgage portfolio by adopting the standard B1 model for banks, and at the same time amended the calculation for the group evaluation of the commercial portfolio using an expected loss model, in order to progress toward best risk management practices. The effects of changes to this model were applied prospectively as a change in accounting estimates, recognizing a debit to net income for 2016 of MCh\$ 4,691.
- b) During 2016 financial investments in BCU and BTU bonds were classified as permanent financial instruments with a secondary market, accordingly were valued at market value with their changes taken to equity. These investments were classified as trading financial instruments as at December 31, 2015 and their changes in fair value were recognized in net income.

### NOTE 4. MATERIAL EVENTS

#### THE BOARD OF DIRECTORS

A General Shareholders' Meeting was held on December 17, 2016, which agreed, by the unanimous vote of the shareholders in attendance, to amend the bylaws and extend to July 1, 2017 the date that the new fifth chapter of the bylaws, called General Meetings and Local Assemblies, comes into effect.

The 50th General Shareholders Meeting of Coopeuch Ltda. was held on April 23, 2016, and according to the Cooperative's bylaws the following people were designated as Directors: Miss Edith Sanchez Meza and Messrs. Andrés Reinstein Alvarez and Carlos Gonzalez Cáceres.

An Extraordinary Board Meeting was held on April 27, 2016, which appointed the Board of Directors for 2016-2017, as follows:

Chairman	:	Miss Siria Jeldes Chang
Vice Chairman	:	Mr. Erik Haindl Rondanelli
Secretary	:	Mr. Sergio Zúñiga Astudillo
Director	:	Miss Edith Sanchez Meza
Director	:	Mr. Andrés Reinstein Alvarez
Director	:	Mr. Alejandro Quintana Hurtado
Director	:	Mr. Carlos González Cáceres.

#### Amendment to Cooperative Law

Law 20,881 was published on January 6, 2016, which amended General Cooperative Law.

### NOTE 5. RELATED PARTY TRANSACTIONS

Natural persons or legal entities that are directly, or through a third party, related to the ownership or management of the cooperative are considered related parties, in accordance with General Cooperative Law, the provisions of the Accounting Standards Compendium of the Chilean Central Bank and the accounting instructions issued by the SBIF.

As of December 31, 2016, loans and receivables with related parties were as follows:

	Portfolio not due MCh\$	Portfolio overdue MCh\$	Total MCh\$	Guarantees MCh\$
Individuals (*)	188.5	-	188.5	234.2
<b>Total</b>	<b>188.5</b>	<b>-</b>	<b>188.5</b>	<b>234.2</b>

**COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.**

NOTES TO THE FINANCIAL STATEMENTS  
(In millions of Chilean pesos - MCh\$)

As of December 31, 2015, loans and receivables from related parties were as follows:

	Portfolio not due MCh\$	Portfolio overdue MCh\$	Total MCh\$	Guarantees MCh\$
Individuals (*)	426.9	-	426.9	444.0
<b>Total</b>	<b>426.9</b>	<b>-</b>	<b>426.9</b>	<b>444.0</b>

(\*) Only includes the obligations of natural persons whose debts are equal to or greater than UF 3,000.

As of December 31, 2016 and 2015, the Cooperative has a loan receivable with related parties of an amount exceeding UF 1,000.

**NOTE 6. PROVISIONS**

**Provisions for assets at risk**

Movements in the allowance for assets at risk as of December 31, 2016 and 2015 were as follows:

	Loans and receivables MCh\$	Goods received in payment MCh\$	Other assets MCh\$	Total MCh\$
Balances as of December 31, 2014	66,670.8	-	-	66,670.8
Allowances applied	(51,407.4)	-	-	(51,407.4)
Creation of provision (1)	55,617.7	-	-	55,617.7
Provisions released	(5,724.1)	-	-	(5,724.1)
Balances as of December 31, 2015	65,157.0	-	-	65,157.0
Unrecognized CPI adjustment (2.9%)	1,889.6	-	-	1,889.6
<b>Indexed balance as of December 31, 2015</b>	<b>67,046.6</b>	<b>-</b>	<b>-</b>	<b>67,046.6</b>
Balance as of December 31, 2015	65,157.0	-	-	65,157.0
Allowances applied	(46,562.5)	-	-	(46,562.5)
Creation of provisions	61,511.5	-	-	61,511.5
Provisions released	(10,265.6)	-	-	(10,265.6)
<b>Balance as of December 31, 2016</b>	<b>69,840.4</b>	<b>-</b>	<b>-</b>	<b>69,840.4</b>

- (1) Extraordinary Board of Directors Meeting 1 was held on January 18, 2017 and in accordance with the regulations issued by the SBIF, it was agreed that the Cooperative should establish additional provisions on its loans and receivables portfolio, due to expected portfolio impairment. This provision was based on the Bank's past experience and potential adverse macroeconomic expectations, or circumstances that may affect a particular sector, industry, debtor group or project. As of December 31, 2016 and 2015, this additional provision was MCh\$ 2,500.

In addition, as explained in Note 3 (Accounting Changes), the Cooperative updated its credit risk provision models, generating a debit to net income for 2016 of MCh\$ 4,691.

In Management's opinion, the allowances recorded cover all potential losses that may arise from assets at risk, based on the information examined by the Cooperative.

**COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.**

NOTES TO THE FINANCIAL STATEMENTS  
(In millions of Chilean pesos - MCh\$)

**NOTE 7. EQUITY**

**a) Equity**

Movements in equity during 2016 and 2015 were as follows:

	Share capital MCh\$	Reserves MCh\$	Net income for the year MCh\$	Revaluation accounts MCh\$	Total MCh\$
Balances as of December 31, 2014	249,315.6	101,879.2	31,031.0	-	382,225.8
Net income distributed	-	-	(24,824.8)	-	(24,824.8)
Increase of capital stock	11,669.4	-	-	-	11,669.4
Capitalization of reserves (1)	-	6,206.2	(6,206.2)	-	-
Capitalization of reserves (2)	-	4.5	-	-	4.5
Revaluation of capital	9,911.6	4,519.4	-	-	14,431.0
Net income for the year	-	-	35,610.2	-	35,610.2
<b>Balance as of December 31, 2015</b>	<b>270,896.6</b>	<b>112,609.3</b>	<b>35,610.2</b>	<b>-</b>	<b>419,116.1</b>
Unrecognized CPI adjustment (2.9%)	7,856.0	3,265.7	1,032.7	-	12,154.4
<b>Indexed balances as of December 31, 2015</b>	<b>278,752.6</b>	<b>115,875.0</b>	<b>36,642.9</b>	<b>-</b>	<b>431,270.5</b>
Balance as of December 31, 2015	270,896.6	112,609.3	35,610.2	-	419,116.1
Net income distributed	-	-	(35,610.2)	-	(35,610.2)
Subscription and payment of capital shares	13,348.0	-	-	-	13,348.0
Revaluation of capital	8,088.3	3,657.5	-	-	11,745.8
Revaluation of permanent financial instruments with a secondary market	-	-	-	564.2	564.2
Net income for the year	-	-	42,689.5	-	42,689.5
<b>Balance as of December 31, 2016</b>	<b>292,332.9</b>	<b>116,266.8</b>	<b>42,689.5</b>	<b>564.2</b>	<b>451,853.4</b>

**b) Reserves**

Law 20,881 was published on January 6, 2016, which amended General Cooperative Law. It eliminated the obligation to increase the Legal Reserve using part of net income for the year, for Savings and Loans Cooperatives supervised by the Superintendency of Banks and Financial Institutions, among other issues. Prior to this amendment, Article 38 of General Cooperative Law stipulated that no less than 20% of the net income for the year should be used to increase the legal reserve. Therefore, in 2015 the Cooperative transferred MCh\$ 6,206.2 from net income for the year to the legal reserve.

**c) Net income distributed**

The General Shareholders' Meeting held on April 23, 2016 agreed to distribute to the shareholders of the Cooperative all the net income for 2015 of MCh\$ 35,610.2 (historical MCh\$ 24,824.8 in 2015).

**d) Regulatory equity**

In accordance with the provisions of Chapter III.C.2-2 of the Accounting Standards Compendium issued by the Chilean Central Bank, Savings and Loans Cooperatives that are supervised by the SBIF must have regulatory equity of not less than 10% of their risk-weighted assets net of required provisions, nor less than 5% of their total assets net of required provisions. In addition, this is calculated using the risk weighted assets defined in Article 67 of DFL 3, dated 1997, which contains the General Banking Law.

**COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.**

NOTES TO THE FINANCIAL STATEMENTS  
(In millions of Chilean pesos - MCh\$)

At the reporting date, the Cooperative had the following:

	<u>2016</u> MCh\$	<u>2015</u> MCh\$
Regulatory equity (*)	451,289.2	431,270.5
Total assets	1,371,455.7	1,277,438.5
Percentage	32.91 %	33.76 %
Regulatory equity (*)	451,289.2	431,270.5
Risk-weighted assets	1,086,256.3	1,054,737.9
Percentage	41.55 %	40.89 %

(\*) Equivalent to share capital plus reserves, as defined in Circular 108 for Cooperatives issued by the SBIF and Chapter III.C.2 of the Accounting Standards Compendium issued by the Chilean Central Bank.

**NOTE 8. INVESTMENTS**

**a) Financial investments**

As of December 31, 2016 and 2015, the Cooperative had the following investments, as described in Note 2(e):

**As of December 31, 2016**

Instrument	Portfolio			Market adjustment	
	Permanent MCh\$	Not permanent MCh\$	Total MCh\$	Against net income MCh\$	Against equity MCh\$
Chilean Central Bank	42,721.3	-	42,721.3	289.4	93.5
Chilean Treasury	72,399.6	-	72,399.6	65.7	470.7
Chilean financial institutions	-	6,001.2	6,001.2	-	-
<b>Total</b>	<b>115,120.9</b>	<b>6,001.2</b>	<b>121,122.1</b>	<b>355.1</b>	<b>564.2</b>

**As of December 31, 2015**

Instrument	Portfolio Type			Market adjustment	
	Permanent MCh\$	Not permanent MCh\$	Total MCh\$	Against net income MCh\$	Against equity MCh\$
Chilean Central Bank	-	43,380.0	43,380.0	(438.5)	-
Chilean Treasury	-	11,267.1	11,267.1	(95.3)	-
Chilean financial institutions	-	31,120.4	31,120.4	-	-
<b>Total</b>	<b>-</b>	<b>85,767.5</b>	<b>85,767.5</b>	<b>(533.8)</b>	<b>-</b>

**b) Other non-financial investments**

	<u>2016</u> MCh\$	<u>2015</u> MCh\$
Other non-financial investments(*)	26.5	28.5
Assets received in lieu of payment	407.8	429.7
<b>Total</b>	<b>434.3</b>	<b>458.2</b>

(\*) Represents shares of service companies whose acquisition is associated with their contracted services and are valued at market value.

**COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.**

NOTES TO THE FINANCIAL STATEMENTS  
(In millions of Chilean pesos - MCh\$)

**NOTE 9. ASSETS AND LIABILITIES MATURITIES**

**a) Maturities of loans and receivables and financial investments**

Loans and receivables and financial investments grouped according to their due date were as follows. Balances include interest accrued as of December 31, 2016 and 2015:

**As of December 31, 2016**

	<b>Less than one year MCh\$</b>	<b>Over 1 year Up to 3 years MCh\$</b>	<b>Over 3 years Up to 6 years MCh\$</b>	<b>Over 6 years MCh\$</b>	<b>Total MCh\$</b>
<b>Loans and receivables (1)</b>					
Commercial loans and others	7,337.3	6,566.3	3,863.0	6,911.8	24,678.4
Residential mortgage loans	20,737.7	39,360.6	57,670.5	237,235.1	355,003.9
Consumer loans	271,297.7	367,621.0	213,788.0	11,243.5	863,950.2
<b>Financial investments</b>					
Permanent with secondary market	45,326.2	9,771.0	60,023.7	-	115,120.9
Trading portfolio	6,001.2	-	-	-	6,001.2
<b>Total</b>	<b>350,700.1</b>	<b>423,318.9</b>	<b>335,345.2</b>	<b>255,390.4</b>	<b>1,364,754.6</b>

**As of December 31, 2015**

	<b>Less than one year MCh\$</b>	<b>Over 1 year Up to 3 years MCh\$</b>	<b>Over 3 years Up to 6 years MCh\$</b>	<b>Over 6 years MCh\$</b>	<b>Total MCh\$</b>
<b>Loans and receivables (1)</b>					
Commercial loans and other	7,516.6	5,678.7	3,373.2	6,467.5	23,036.0
Residential mortgage loans	20,982.6	38,952.9	57,301.7	248,805.5	366,042.7
Consumer loans	260,036.1	347,249.2	195,760.2	10,930.6	813,976.1
<b>Financial investments</b>					
Permanent portfolio	31,260.2	54,507.3	-	-	85,767.5
<b>Total</b>	<b>319,795.5</b>	<b>446,388.1</b>	<b>256,435.1</b>	<b>266,203.6</b>	<b>1,288,822.3</b>

- (1) Present current valid loans at the reporting date, that mature within the indicated periods. Therefore, it excludes loans transferred to the overdue portfolio, and non-performing loans that have not been transferred to the overdue portfolio, of MCh\$ 90.7, MCh\$ 813.7 and MCh\$ 3,831.2 for commercial, mortgage and consumer portfolios, respectively (MCh\$ 85.2, MCh\$ 266.8 and MCh\$ 3,648.1 in 2015). From these non-performing loans, MCh\$ 2,730.0 (MCh\$ 2,749.6 in 2015) had an overdue of less than 30 days.

**COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.**

NOTES TO THE FINANCIAL STATEMENTS  
(In millions of Chilean pesos - MCh\$)

**b) Maturities of deposits, financial liabilities and other financing operations**

Deposits, financial liabilities and other obligations payable are presented according to their due date were as follows. Balances include interest accrued as of December 31, 2016 and 2015:

**As of December 31, 2016**

	Less than one year MCh\$	Over 1 year Up to 3 years MCh\$	Over 3 years Up to 6 years MCh\$	Over 6 years MCh\$	Total MCh\$
<b>Deposits and other obligations (*)</b>					
Deposits	604,465.7	328.8	-	-	604,794.5
Other term deposits	18,091.4	-	-	-	18,091.4
<b>Bonds payable</b>					
Series B2 Bonds	3,670.5	7,416.9	12,500.3	33,744.1	57,331.8
Series C Bonds	3,262.4	4,915.9	7,420.5	29,994.1	45,592.9
Series D2 Bonds	3,667.8	6,507.1	9,753.0	53,683.6	73,611.5
Series E2 Bonds	916.7	-	-	78,653.9	79,570.6
<b>Loans payable to financial institutions</b>					
Loans payable to Chilean financial institutions	12,241.6	-	7,063.0	-	19,304.6
<b>Other obligations</b>	626.9	32.1	31.5	12.1	702.6
<b>Total</b>	<b>646,943.0</b>	<b>19,200.8</b>	<b>36,768.3</b>	<b>196,087.8</b>	<b>898,999.9</b>

**As of December 31, 2015:**

	Less than one year MCh\$	Over 1 year Up to 3 years MCh\$	Over 3 years Up to 6 years MCh\$	Over 6 years MCh\$	Total MCh\$
<b>Deposits and other obligations (*)</b>					
Deposits	513,311.0	1,879.6	-	-	515,190.6
Other term deposits	18,927.1	-	-	-	18,927.1
<b>Bonds payable</b>					
Series B1 Bonds	3,529.1	7,083.2	11,944.2	38,139.1	60,695.6
Series B2 Bonds	3,309.0	4,906.1	7,406.5	32,501.7	48,123.3
Series C Bonds	3,679.6	6,513.1	9,769.7	56,989.7	76,952.1
Series E2 Bonds	897.4	-	-	78,724.8	79,622.2
<b>Loans payable to financial institutions</b>					
Loans payable to Chilean financial institutions	19,314.3	-	7,272.3	-	26,586.6
<b>Other obligations</b>	851.5	44.6	30.5	26.8	953.4
<b>Total</b>	<b>563,819.0</b>	<b>20,426.6</b>	<b>36,423.2</b>	<b>206,382.1</b>	<b>827,050.9</b>

(\*) Excludes all demand obligations of MCh\$ 14,496.2 (MCh\$ 13,410.0 in 2015).

**COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.**

NOTES TO THE FINANCIAL STATEMENTS  
(In millions of Chilean pesos - MCh\$)

**NOTE 10. FOREIGN CURRENCY BALANCES**

The statements of financial position include assets and liabilities in foreign currency or readjusted to variations in exchange rates, detailed as follows:

	Payable in				Total	
	Foreign Currency		Chilean pesos (*)		2016	2015
	2016 US\$ (thousands)	2015 US\$ (thousands)	2016 US\$ (thousands)	2015 US\$ (thousands)	US\$ (thousands)	US\$ (thousands)
<b>Assets</b>						
Available funds	24.9	105.8	-	-	24.9	105.8
Loans and receivables	105.4	64.2	-	-	105.4	64.2
<b>Total assets</b>	<b>130.3</b>	<b>170.0</b>	-	-	<b>130.3</b>	<b>170.0</b>
<b>Liabilities</b>						
Deposits	7.4	863.3	-	-	7.4	863.3
Other liabilities	200.9	-	-	-	200.9	-
<b>Total liabilities</b>	<b>208.3</b>	<b>863.3</b>	-	-	<b>208.3</b>	<b>863.3</b>

(\*) This includes transactions expressed in foreign currency and paid in pesos or readjusted to variations in exchange rates.

**NOTE 11. TRANSACTIONS WITH DERIVATIVES**

As of December 31, 2016 and 2015, the Cooperative had no derivative transactions.

**NOTE 12. OTHER ASSETS AND LIABILITIES**

"Other assets" and "Other Liabilities" in the financial position statements were as follows:

**a) Other assets**

	2016 MCh\$	2015 MCh\$
Intangible assets	6,166.7	7,866.2
Insurance brokerage receivables	4,548.1	2,729.3
Credit card receivables	2,630.3	2,457.5
Miscellaneous receivables	580.8	275.1
Prepayments on property, plant and equipment	515.2	2,420.3
Others	496.7	413.1
Prepaid expenses	355.1	139.5
Lease guarantees	327.5	351.8
Receivable taxes	102.2	85.0
Receivables from agreements	92.9	112.4
Documents in guarantee	-	1,525.6
<b>Total</b>	<b>15,815.5</b>	<b>18,375.8</b>



**COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.**

NOTES TO THE FINANCIAL STATEMENTS  
(In millions of Chilean pesos - MCh\$)

**b) Other liabilities**

	<b>2016</b>	<b>2015</b>
	<b>MCh\$</b>	<b>MCh\$</b>
Staff severance provision	2,452.7	2,525.9
Accrued vacation provision	2,290.5	2,147.1
Income tax provision	845.9	687.8
Value added tax (VAT) payable	278.4	145.8
Account payables from agreements	169.5	139.0
Miscellaneous payables	69.2	61.4
<b>Total</b>	<b><u>6,106.2</u></b>	<b><u>5,707.0</u></b>

**NOTE 13. CONTINGENCIES, COMMITMENTS AND RESPONSIBILITIES**

**a) Commitments and responsibilities recorded in off-balance sheet accounts**

The Cooperative records the following balances related to business commitments and responsibilities in off-balance sheet accounts as of December 31, 2016 and 2015:

	<b>2016</b>	<b>2015</b>
	<b>MCh\$</b>	<b>MCh\$</b>
Loans approved but not disbursed	18,107.8	22,214.5
<b>Total</b>	<b><u>18,107.8</u></b>	<b><u>22,214.5</u></b>

**NOTE 14. FEES AND COMMISSIONS**

Commissions income and expenses in the statement of net income were as follows:

	<b>Income</b>		<b>Expenses</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>MCh\$</b>	<b>MCh\$</b>	<b>MCh\$</b>	<b>MCh\$</b>
Services to third parties for selling insurance	15,259.4	16,136.0	-	-
Settlements and prepayments	5,152.4	4,888.5	-	-
Credit cards	864.5	602.0	998.4	1,070.2
Mortgage loans	127.7	87.0	253.6	336.3
Sight accounts	11.6	11.4	-	-
Others	12.7	-	214.8	246.5
Banking services	-	-	137.9	128.4
Debit cards	-	-	154.9	244.2
<b>Total</b>	<b><u>21,428.3</u></b>	<b><u>21,724.9</u></b>	<b><u>1,759.6</u></b>	<b><u>2,025.6</u></b>

**NOTE 15. COSTS OF MANAGEMENT BODIES**

During 2016 MCh\$ 804.2 was disbursed (MCh\$ 727.2 in 2015) and debited to net income for remuneration paid to members of the Board of Directors, Credit Committee and Supervisory Board.

**COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.**

**NOTES TO THE FINANCIAL STATEMENTS**  
(In millions of Chilean pesos - MCh\$)

**NOTE 16. INCOME TAXES**

As of December 31, 2016, the Cooperative recorded an Income Tax expense of MCh\$ 852.3 (MCh\$ \$711.5 in 2015).

**NOTE 17. SUBSEQUENT EVENTS**

At Extraordinary Board Meeting 1 held on January 18, 2017, the Board of Directors approved an additional provision of MCh\$ 2,500, as a prudential credit risk measure, in response to the impending risks appearing in the Chilean economy and external circumstances relating to cooperatives, as stipulated in the Regulations that apply to cooperatives (Chapter 7-10 of the UCS). This provision amounts to MCh\$ 2,500, and the same amount was recorded at the close of 2015.

Between January 1, 2017, and the date these financial statements were issued (January 31, 2017), there have been no other events after the reporting period that significantly affect their presentation.

**NOTE 18. ACCOUNTING STANDARDS APPLICABLE FOR 2017 AND ONWARDS**

As of January 1, 2017, Savings and Loans Cooperatives shall apply the regulatory accounting framework described in the "Accounting Standards Compendium" issued by the SBIF, in accordance with Circular letter No.162 issued by the SBIF on August 19, 2015. Any accounting matters not dealt with by this Compendium should be treated in accordance with Chilean Generally Accepted Accounting Principles (GAAP), which are the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and adopted by the Chilean Accountants College A.G.

\* \* \* \* \*