COOPEUCH
(Free translation from the original in Spanish)

Financial Statements

December 31, 2018

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Figures are denominated in millions of Chilean pesos

MCh$	-	Millions of Chilean pesos
US$ or USD	-	U.S. dollars
UF or CLF	-	Unidades de fomento (The "unidad de fomento" is an inflation-indexed, Chilean peso denominated monetary unit set daily in advance on the basis of the previous month's rate)
$ or CLP	-	Chilean pesos
CHF	-	Swiss francs

INDEPENDENT AUDITOR'S REPORT
(Free translation from the original in Spanish)

Santiago, January 29, 2019

To the President and Board of Directors
COOPEUCH

We have audited the accompanying financial statements of COOPEUCH, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of comprehensive income, changes in equity and cash flows for the years then ended 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 statements in accordance with the accounting standards established by the Superintendency of Banks and Financial Institutions applicable to Savings and Credit Cooperatives. This responsibility includes the design, implementation and maintenance of a relevant internal control to 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 the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Consequently, we do not express such an opinion. An audit also includes evaluating the appropriateness of 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 we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of COOPEUCH as of December 31, 2018 and 2017, the results of its operations and cash flows for the years then ended, in accordance with accounting standards established by Superintendency of Banks and Financial Institutions applicable to Savings and Credit Cooperatives.

Renzo Corona Spedaliere

PricewaterhouseCoopers

COOPEUCH

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COOPEUCH
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2018 and 2017
(In millions of Chilean pesos)

ASSETS	**Notes**	**2018 MCh$**	**2017 MCh$**
Cash and bank deposits	6	56,957	35,113
Instruments for trading	7	16,359	5,000
Loans and accounts receivable from customers	8	1,414,037	1,306,487
Available-for-sale investment instruments	9	118,209	114,858
Held-to-maturity investment instruments	9	-	-
Investments in companies	10	28	28
Intangible assets	11	6,165	5,402
Fixed Assets	12	10,558	9,084
Current Taxes	13	211	121
Deferred Taxes	13	-	-
Other assets	14	19,199	15,375
TOTAL ASSETS		**1,641,723**	**1,491,468**
LIABILITIES			
Deposits and other demand liabilities	15	21,582	19,799
Deposits and other term borrowings	16	666,127	608,891
Loans obtained	17	10,018	9,784
Debt instruments issued	18	380,108	328,458
Current taxes	13	1,357	1,161
Deferred taxes	13	-	-
Provisions	19	77,557	71,662
Other liabilities	20	35,501	26,766
TOTAL LIABILITIES		**1,192,250**	**1,066,521**
EQUITY			
Paid-in capital		340,863	313,008
Cumulative reserves (losses)		112,609	112,911
Surplus from prior period		-	-
Valuation accounts		(3,999)	(972)
Profit for the year		70,002	60,915
Less:			
Indexation adjustment of shares		(9,365)	(5,179)
Provision for interest on capital and surplus		(60,637)	(55,736)
Total equity attributable to the owners		**449,473**	**424,947**
Non-controlling interest		-	-
TOTAL EQUITY	21	**449,473**	**424,947**
TOTAL LIABILITIES AND EQUITY		**1,641,723**	**1,491,468**

COOPEUCH
STATEMENTS OF COMPREHENSIVE INCOME
For the periods ended as of December 31, 2018 and 2017
(In millions of Chilean pesos)

	Notes	2018 MCh$	2017 MCh$
Income from interest and indexation adjustments		250,320	217,779
Expenses from interest and indexation adjustments		(59,361)	(40,699)
Income from interest and indexation adjustment, net	23	**190,959**	**177,080**
Fee and commission income		20,206	17,942
Fee and commission expense		(4,273)	(3,071)
Fee and commission income, net	24	**15,933**	**14,871**
Net profit from financial operations	25	(1,038)	2,714
Other operating income	30	1,556	1,331
Total operating income		**207,410**	**195,996**
Provision for credit risk	26	(33,157)	(40,237)
NET OPERATING INCOME		**174,253**	**155,759**
Staff remunerations and related expenses	27	(58,453)	(55,197)
Administrative expenses	28	(34,700)	(30,347)
Depreciation, amortization and impairment	29	(7,323)	(5,767)
Other operating expenses	30	(2,458)	(2,358)
TOTAL OPERATING EXPENSES		**(102,934)**	**(93,669)**
OPERATING PROFITS		**71,319**	**62,090**
Profits from investments in companies		-	-
Profit before tax		**71,319**	**62,090**
Income tax	13	(1,317)	(1,175)
PROFIT FOR THE PERIOD		**70,002**	**60,915**
Items that can be subsequently reclassified to profit for the period			
OTHER COMPREHENSIVE INCOME			
Valuation of available-for-sale instruments		(208)	(528)
Valuation cash flow hedge derivatives		(3,791)	(444)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**66,003**	**59,943**

COOPEUCH

STATEMENTS OF CHANGES IN EQUITY

For the periods ended as of December 31, 2018 and 2017

In millions of Chilean pesos

		Reserves						Provisions on paid in capital and surplus					
	Paid in capital	Statutory reserve	Voluntary Reserves	Accumulated Losses	Retained Earnings from previous periods	Valuation Accounts	Profit for the year	Readjustment of share subscriptions	Provision for the retained earnings of the financial year	Provision for the retained earnings of the previous year	Equity of the owners of the Cooperative	Non-controlling Interest	Total Equity
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Balance as of January 1, 2017	**292,333**	**112,609**	**302**	**-**	**51,116**	**564**	**-**	**(8,426)**	**-**	**(42,690)**	**405,808**	**-**	**405,808**
Paid retained earnings of previous period	-	-	-	-	(51,116)	-	-	8,426	-	42,690	-	-	-
Subscription and payment of shares	35,180	-	-	-	-	-	-	-	-	-	35,180	-	35,180
Redemption payment of shares	(19,377)	-	-	-	-	-	-	-	-	-	(19,377)		(19,377)
Readjustment of Shares	4,872	-	-	-	-	-	-	-	-	-	4,872	-	4,872
Valuation adjustment of available for sale instruments	-	-	-	-	-	(1,092)	-	-	-	-	(1,092)	-	(1,092)
Adjustment for valuation of other comprehensive incomes	-	-	-	-	-	(444)	-	-	-	-	(444)		(444)
Profit of the year	-	-	-	-	-	-	60,915	(5,179)	(55,736)	-	-	-	-
Balance as of December 31, 2017	**313,008**	**112,609**	**302**	**-**	**-**	**(972)**	**60,915**	**(5,179)**	**(55,736)**	**-**	**424,947**	**-**	**424,947**
Balance as of January 1, 2018	**313,008**	**112,609**	**302**	**-**	**-**	**(972)**	**60,915**	**(5,179)**	**(55,736)**	**-**	**424,947**	**-**	**424,947**
Provision for the retained earnings of the previous year	-	-	-	-	55,736	-	(60,915)	5,179	55,736	(55,736)	-	-	-
Paid retained earnings of previous period	-	-	(302)	-	(55,736)	-	-	-	-	55,736	(302)	-	(302)
Subscription and payment of shares	39,054	-	-	-	-	-	-	-	-	-	39,054	-	39,054
Redemption payment of shares	(20,237)	-	-	-	-	-	-	-	-	-	(20,237)	-	(20,237)
Readjustment of Shares	9,038	-	-	-	-	-	-	-	-	-	9,038	-	9,038
Valuation adjustment of available for sale instruments	-	-	-	-	-	320	-	-	-	-	320	-	320
Adjustment for valuation of other comprehensive incomes	-	-	-	-	-	(3,347)	-	-	-	-	(3,347)	-	(3,347)
Profit of the year	-	-	-	-	-	-	70,002	(9,365)	(60,637)	-	-	-	-
Balance as of December 31, 2018	**340,863**	**112,609**	**-**	**-**	**-**	**(3,999)**	**70,002**	**(9,365)**	**(60,637)**	**-**	**449,473**	**-**	**449,473**

COOPEUCH
CASH FLOW STATEMENTS
For the periods ended as of December 31, 2018 and 2017

In millions of Chilean pesos

	Notes	2018 MCh$	2017 MCh$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit for the year		**70,002**	**60,915**
Charges (credits) to profit that do not represent cash flows:			
Depreciation and amortization	29	7,323	5,767
Provisions for credit risk	26	48,076	54,370
Income tax provisions	13	1,317	1,175
Provisions for accounts payable and other		1,579	7,309
Fair value of trading instruments		168	(272)
Net changes in interest, indexation adjustment and fees and commissions accrued on assets and liabilities		(7,570)	(5,182)
Changes in assets and liabilities affecting operating cash flows			
Increase in other assets and liabilities		13,409	(9,927)
Increase in loans and receivables		(145,764)	(148,529)
Increase in deposits		56,584	6,177
Increase in other demand and term deposits		1,780	5,321
Net positive (negative) cash flows from operating activities		**46,904**	**(22,876)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Increase in available-for-sale investments		(3,961)	(1,542)
Net decrease in investments of trading instruments		(11,193)	1,000
Purchase of fixed assets and others		(3,780)	(2,381)
Purchase of intangible assets and construction in progress		(6,016)	(4,540)
Net negative cash flow from investment activities		**(24,950)**	**(7,463)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase in bank loans		2,078	1,846
Decrease in bank loans		(1,846)	(12,000)
Increase in bonds		44,936	77,176
Decrease in bonds		(8,056)	(7,850)
Increase (decrease) in other obligations		-	172
Subscription and payment of shares		39,054	35,180
Redemption payment of shares		(20,237)	(19,377)
Dividends paid		(56,039)	(42,690)
Net positive (negative) cash flows used in financing activities		**(110)**	**32,457**
TOTAL NET POSITIVE CASH FLOWS FOR THE PERIOD		**21,844**	**2,118**
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD		**21,844**	**2,118**
OPENING CASH BALANCE		**35,113**	**32,995**
CLOSING CASH AND CASH EQUIVALENTS	6	**56,957**	**35,113**
OPERATING CASH FLOW OF INTEREST			
Interest and indexation adjustments received		223,699	209,040
Interest and indexation adjustments paid		(55,581)	(33,833)

NOTE 1 – INSTITUTION BACKGROUND

The COOPEUCH (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 Division of Associativity and Social Economy (hereinafter "DAES") of the Ministry of Economic Affairs, Development and Tourism, and, 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.

The Financial Statements of Coopeuch, corresponding to the year ended December 31, 2018, were approved by its Board of Directors on January 29, 2019.

NOTE 2 – 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. Savings and Credit Cooperatives must use the accounting criteria provided by that Superintendency and in everything that is not with its scope or is in conflict with its instructions, should apply the Generally Accepted Accounting Principles (PCGA), which correspond to the international standards of accounting and financial information agreed by the International Accounting Standards Board (IASB) and adopted by the Chilean Accountants Association A.G. In case of any discrepancy between these generally accepted accounting principles and the instructions issued by the SBIF, the latter will prevail.

b) Basis of measurement

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

- Financial instruments classified as trading are valued at fair value, through profit or loss.
- Available-for-sale instruments measured at fair value, with effects on equity.

NOTE 2 – SIGNIFICANT ACCOUNTING PRINCIPLES, continued

c) Operating Segments

Operating segments are determined on the basis of the different business units that provide products and services subject to risks and returns different from another operating segment. Management defined that the Cooperative has the Person segment as the relevant segment and will present it separated in the Consumer, Mortgage and Other products.

d) Functional and presentation currency

The Cooperative has defined as its functional currency the Chilean peso, based on:

- It is the currency of the main economic environment whose competitive forces and regulations fundamentally determine the prices of financial services that are provided.
- It is the currency that fundamentally influences the costs for remuneration and other costs necessary to provide the services that the Cooperative provides to partners and third parties.

e) Transactions in foreign currency

All balances and transactions denominated in currencies other than the functional currency are considered to be denominated in “foreign currency”.

Monetary assets and liabilities in foreign currencies are translated into Chilean pesos at the exchange rates prevailing at the closing date of the respective Financial Statements. The profits or losses generated are charged directly to the profit and loss account.

As of December 31, 2018 and 2017, the Cooperative has balances in US dollars and Swiss francs and applied an exchange rate of $692.62 and $615.43 for each dollar, and $704.38 and $631.21 for each Swiss francs, respectively.

As of December 31, 2018, the Cooperative has balances in Japanese yen valued at $6.27.

f) Valuation criteria for assets and liabilities

The measurement criteria of assets and liabilities recorded in the accompanying statement of financial position are the following:

<u>(i) Assets and liabilities measured at amortized cost</u>

The amortized cost is understood as the cost of acquisition of a financial asset minus the incremental costs, for the part systematically attributed to the profit and loss accounts of the difference between the initial amount and the corresponding redemption value at maturity. In the case of financial assets, the amortized cost includes, in addition, the corrections for the impairment they have experienced.

In the case of financial instruments, the part reflected in profit and loss accounts is recorded by the effective rate method. The effective interest rate is the discount rate that equals the value of a financial instrument to all of its estimated cash flows for all items over its remaining life.

NOTE 2 – SIGNIFICANT ACCOUNTING PRINCIPLES, continued

(ii) Assets measured at fair value

"Fair value" is understood as the price that a financial instrument would reach, at a certain moment, in a free and voluntary transaction between interested parties, duly informed and independent of each other. 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.

Fair value is obtained from market prices as long as there is a liquid market, updated price quotes from brokers, exchanges or information agencies. In addition, in case it is not possible to observe in the market the prices of said instruments, these will be valued from models that are validated and approved independently and are subject to periodic review.

The valuation techniques include the use of recent market transactions as well as references to the fair value of other instruments and discounted cash flows. 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 stochastic modeling, 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.

(iii) Assets valued at acquisition cost

The adjusted acquisition cost is the cost of the transaction for the acquisition of the adjusted asset, for the impairment losses that they have experienced.

g) Investment instruments

Investment instruments are classified into two categories: investments at maturity and available-for-sale instruments. Investments classified at maturity must include only those instruments in which the Cooperative has the capacity and intention to hold them until their expiration dates. The other investment instruments are considered as available for sale.

Investments at maturity are recorded at their amortized cost value plus accrued interest and indexation adjustments, less the impairment provisions established when their registered amount is greater than the estimated recoverable amount.

Available-for-sale investment instruments are initially recognized at fair value plus transaction costs that are directly attributable, and 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 with charge or credit to within Equity accounts. When these investments are sold, the cumulative fair value adjustment existing within equity is recorded directly in income and included under "Net financial operating income" in the income statement.

NOTE 2 – SIGNIFICANT ACCOUNTING PRINCIPLES, continued

Interest and indexations of maturity investments and available-for-sale instruments are included in the item “Income from interest and indexation adjustments”.

Purchases and sales of investment instruments that must be delivered within the period established by the market regulations or conventions, must be reflected on the trading date, in which the purchase or sale of the asset is committed.

h) Trading Instruments

Instruments held-for-trading are valued at their fair market value as of the Statement of Financial Position date. Gains or losses from their fair value adjustments, as well as gains or losses from trading activities, are included in “Gains (losses) from financial operations” in the income statement.

Accrued interest and indexation adjustments are reported in "Net income from financial operations" in the income statement.

All purchases and sales of trading instruments that must be delivered within the term established by the market regulations or conventions are reflected on the trading date, the date on which the purchase or sale of the asset is committed.

i) Financial derivatives contracts

Financial derivative contracts are initially reflected in the Statement of Financial Position at their cost (including transaction costs) and subsequently valued at their fair value. The fair value is obtained from market quotes, discounted cash flows models and options valuation models, as and where applicable. In addition, within the fair value of the derivatives, the valuation adjustment for CVA is included, so that the fair value of each instrument includes the credit risk of its counterparty.

At the time of signing a derivative contract, it must be designated by the Cooperative as a derivative instrument for trading or for hedging purposes.

The Cooperative uses cash flow hedging instruments, Cross Currency Swaps, Rate Swaps in UF and Forwards (inflation and exchange rate) to ensure the flows, both of assets and liabilities, exposed to changes due to changes in interest rates, exchange rate and / or inflation.

Derivative contracts are reported as an asset when their fair value is positive and as a liability when it is negative, under "Other Assets" and "Other Liabilities", respectively.

When a derivative hedges the risk of changes in the cash flows of existing assets or liabilities, or forecasted transactions, the effective portion of the changes in fair value with respect to the hedged risk is recorded in equity. Any ineffective portion is recorded directly in the Profit and Loss for the Period

If the hedging instrument no longer meets the cash flow accounting criteria, expires or is sold, or is suspended or executed, this hedge is discontinued prospectively. Accumulated gains or losses previously reflected in the equity remain there until the projected transactions occur, at which time they will be recorded in the Income Statement, unless it is foreseen that the transaction will not be carried out, in which case they are recorded immediately in the Income Statement.

NOTE 2 – SIGNIFICANT ACCOUNTING PRINCIPLES, continued

j) 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 does not intend to sell 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 provision for credit risk and loans and accounts receivable from customers are presented net of such credit risk provisions.

k) 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 G-3 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 of free disposal lines of credit shall be equivalent to 100% of its amount.

l) Provisions for loan losses

Provisions required to hedge the risk of loss of assets, including contingent credits, are calculated and made monthly in accordance with the standards of the SBIF. For their constitution, models or methods are used based on the individual and group analysis of the debtors.

(i) Individual Evaluations

The individual evaluation of debtors is applied when dealing with companies that due to their size, complexity or level of exposure to the entity, it is necessary to know them comprehensively.

NOTE 2 – SIGNIFICANT ACCOUNTING PRINCIPLES, continued

Naturally, the analysis of the debtors must focus on their ability to meet their credit obligations, by means of sufficient and reliable information, and their credits must be analyzed in terms of guarantees, terms, interest rates, currency, indexation adjustment, etc. The models designed on the basis of the individual analysis, will contemplate the use of risk categories for their debtors and their credits.

For purposes of provisioning, debtors must be classified in the Normal and higher risk categories.

Portfolio of Debtors with Normal Risk

These categories will include debtors whose payment capacity is sufficient to hedge their obligations under the agreed conditions, which is why only those debtors that don't need examination of the recovery of the credits in relation to the guarantee are included.

In turn, and because these are categories that reflect the debtor's ability to pay, it cannot be classified in this category, partners that show bad payment behavior with Coopeuch or with third parties and reflected, for example, in past due loans, recurring delinquency or renegotiations with capitalization of interest, even when the credits are fully covered with guarantees.

Debtors who do not present negative information at the time of classification and that in the last period have not presented recurring delinquencies greater than 30 days, will be part of the portfolio with normal risk and classified in categories A and B.

Categories A1 to A3: This classifies debtors without significant risks, whose payment capacity would continue to be good in the face of unfavorable business, economic or financial situations. The classification in these ranges will be made according to the relative strength of the debtors, established according to the methods used by the cooperative.

Category B: This category includes debtors with sufficient credit quality, but their payment ability may be affected by adverse economic conditions. The debtor has some comfort to meet its financial obligations, but this is variable, that is, its ability to pay presents vulnerabilities to cyclical fluctuations of the economy or the markets in which it participates. Regarding the behavior evidenced in the other systems and information and referred to delinquencies, protests, social security debts, labor infractions or tax penalties, it should also be good, not presenting significant current situations.

The debtors classified in the aforementioned categories are subject to the following percentages of provision, which will be applied to the exposure balance of each member composed of all their loans and contingent loans:

Category	% Allowance
A1	0.0500
A2	0.1952
A3	2.6514
B	7.3645

NOTE 2 – SIGNIFICANT ACCOUNTING PRINCIPLES, continued

Portfolio of Debtors with Risk Higher than Normal

Debtors with insufficient payment capacity in the foreseeable situations included in this segment. The categories that make up 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, quantified according to the methodology used by the financial institution.

For constituting the allowances, the following percentage associated with the range of estimated loss percentages of each debtor will be applied to the credits:

Category	Range of estimated loss	Allowance
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) Group Evaluations

The group analysis is used to analyze a large number of operations whose individual amounts are not significant. This type of evaluation may include consumer loans, mortgage loans for housing and commercial loans made with small companies. The group evaluations, as well as the criteria to apply them, must be consistent with those carried out for the granting of the credits. To evaluate its loan portfolio, Coopeuch uses internal evaluation methods appropriate for its type of portfolio. These internal evaluation methods, models of expected loss, were approved by the Board of Directors.

In order to establish the necessary and sufficient allowances to hedge the losses associated with the payment behavior of the partners, to calculate the allowances using the expected loss models, the portfolios were segmented into homogeneous groups and by means of technically based estimates, the non-compliance probability (PI) and the loss factor given non-compliance (PDI) for each group. The estimation of the parameters, considers a historical depth of five years, in order to cover possible recessive periods and to strengthen the estimation of the parameters, according to what is established in the best regulatory practices on the development of models. In addition, the incorporation of new information and analysis of new parameters is considered relevant to the nature of the product group.

Six product groups were considered:

- Public payroll deduction
- Private payroll deduction
- Direct Payment
- Renegotiated
- Card
- Commercial

NOTE 2 – SIGNIFICANT ACCOUNTING PRINCIPLES, continued

Standard method of provisions for mortgage loans

For this segment, the standard allowances matrix established by the SBIF for financial institutions is applied. This method uses, as calculation variables for the expected loss, the CMG factor at the end of each month that corresponds to the ratio of the outstanding capital and the value of the mortgage guarantees at the origin of the loan, as well as the days in arrears at the end of the month and the default mark, as indicated in the following table:

Provision factor applicable according to delinquency and CMG

CMG = Outstanding capital / Value of the Mortgage guarantees

Section PVG	Days past due at Closing	0	1 - 29	30 - 59	60 - 89	Default Portfolio
PVG<=40%	(PI)%	1.0916	21.3407	46.0536	75.1641	100.000
	(PDI)%	0.0225	0.0441	0.0482	0.0482	0.054
	(PE)%	0.0002	0.0094	0.0220	0.0362	0.054
40%<PVG<=80%	(PI)%	1.9158	27.4332	52.0824	78.9511	100.000
	(PDI)%	2.1955	2.8233	2.9192	2.9192	3.041
	(PE)%	0.0421	0.7745	1.5204	2.3047	3.041
80%<PVG<=90%	(PI)%	2.5150	27.9300	52.5800	79.6952	100.000
	(PDI)%	21.5527	21.6600	21.9200	22.1331	22.231
	(PE)%	0.5421	6.0496	11.5255	17.6390	22.231
PVG>90%	(PI)%	2.7400	28.4300	53.0800	80.3677	100.000
	(PDI)%	27.2000	29.0300	29.5900	30.1558	30.244
	(PE)%	0.7453	8.2532	15.7064	24.2355	30.244

In the event that a single debtor maintains more than one housing mortgage loan with the cooperative and one of them is 90 days due or more, all such loans will be assigned to the default portfolio, calculating the provisions for each one of them with their respective percentages of CMG. The loans will remain in that portfolio until the conditions established in the Compendium of Accounting Standards for cooperatives are met.

When it comes to mortgage loans for housing linked to housing and subsidy programs of the State of Chile, it was decided to consider the same matrix, because there is no evidence and relevant data of the mitigation that these may have on the portfolio.

m) Additional Provisions

In conformity with the standards issued by the SBIF, Cooperatives may establish provisions in addition to those resulting from the application of their portfolio evaluation models, in order to safeguard against the risk of unpredictable economic fluctuations that may affect the macroeconomic environment or the situation of a specific economic sector.

The provisions set up in order to prevent the risk of macroeconomic fluctuations should anticipate situations of reversal of expansive economic cycles that, in the future, could lead to a worsening in the conditions of the economic environment and, in this way, function as an anti-cyclical mechanism of accumulation of additional provisions when the conditions of the economic environment worsen.

NOTE 2 – SIGNIFICANT ACCOUNTING PRINCIPLES, continued

In accordance with the above, the additional provisions must always correspond to general provisions on commercial, housing or consumer loans, or segments identified in them, and in no case may be used to compensate for deficiencies of the models used by the Cooperative.

As of December 31, 2018 and 2017, the balance of additional provisions amounts to Ch$ 5,500 million, which are presented under "Provisions" in the Statement of Financial Position's liability section.

(n) Impairment

(i) Financial assets

A financial asset is evaluated at the reporting date to determine whether there is objective evidence of 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 relation to available-for-sale financial assets is calculated using its fair value.

The individually significant financial assets are examined individually to determine their impairment. The remaining financial assets are evaluated collectively in groups that share similar credit risk characteristics.

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. In the case of financial assets, recorded at amortized cost, and for those available for sale, which are sales securities, the reverse is recognized in the statement of comprehensive income. In the case of financial assets that are variable income securities, the reverse is recognized directly in equity.

As of December 31, 2018 and 2017, the Cooperative has not recognized losses for this concept.

(ii) Non-financial assets

The carrying amounts of the non-financial assets of the Cooperative are reviewed throughout the year, and at the reporting date, to determine if any indication of impairment exists. If such indication exists, the recoverable amount of the asset is the estimated.

(o) Charge-offs

Generally, the charge-offs are produced when the contractual rights on cash flows expire. In case of loans, even if the above does not happen, the respective asset balances will be charged off. Charge-offs refer to the derecognition of the assets in the Statement of Financial Position, related to the respective transaction including, therefore, the part that could not be past-due if it involves a loan payable in installments.

Charge-offs must be made using credit risk provisions constituted, whatever the cause for which the charge-off was produced.

NOTE 2 – SIGNIFICANT ACCOUNTING PRINCIPLES, continued

Charge-offs of loans to customers and receivables shall be made in accordance to the following circumstances:

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

b) When a debt without an executive title expires 90 days after it was recorded as an asset.

c) Upon completion of the statute of limitations term to demand collection through executive action or at rejection or abandonment of the implementation of the title by executed judicial decision.

d) When past-due term of a transaction complies with the following:

Loan 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 arrears became due.

p) Loan loss recoveries and receivables to customers

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.

q) 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, at 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.

r) Income and expenses on interests and indexation adjustments

Income and expenses on interests and indexation adjustments are recognized in the accounting on an accrual basis at the effective rate, which is the discount rate that exactly equals estimated cash flows receivable, including all commissions and interest points paid or received by the parties of the contract as well as the transaction costs and any other premium or discount.

NOTE 2 – SIGNIFICANT ACCOUNTING PRINCIPLES, continued

The Cooperative has suspended the recognition of income on interest and indexation adjustments of loans on an accrual basis for credits included in the impaired portfolio that are in the situation indicated below, in relation to individual or group evaluations made to establish allowances for Credit risk:

Loans subject to suspension	Suspended
Individual evaluation: Loans classified in D1 and D2 categories	It is suspended by the sole fact of being in the impaired portfolio.
Individual evaluation: Loans classified in C1 and C4 categories	It 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%.	It is suspended when payment of the loan or one of its installments has been overdue for six months.

The suspension of the recognition of income on an accrual basis implies that, while the loans are held in the impaired portfolio, the respective assets included in the Statement of Financial Position will be increased with interest, indexation adjustments or commissions and incomes for these concepts won't be reflected in the Income Statement, unless they are actually received.

Indexation adjustments mainly correspond to the indexation related to the variation of the Unidad de Fomento (UF), whose value is Ch$ 26,798.14 and Ch$ 26,347.98, as of December 31, 2018 and 2017, respectively.

s) Fee and commission income and expenses

Fee and commission income and expenses are recognized in the statement of comprehensive income based on different criteria according to their nature. The most significant ones are:

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

t) Intangible assets and Software

The intangible assets held by the Cooperative as of December 31, 2018 and 2017 are presented at cost, less any accumulated amortization according to the remaining useful life of the asset and the accumulated losses due to the impairment of the value.

The subsequent disbursements are capitalized when they increase the future economic benefit for the specific asset. All other disbursements, including goodwill and internally generated trademarks, are recognized in the Statement of Comprehensive Income when they are incurred.

u) Fixed Asset

The items of the fixed assets are measured at cost less accumulated depreciation and impairment losses. The cost includes expenses that have been directly attributed to the acquisition of the asset.

When part of an item of fixed assets have a different useful life, they are recorded as separate items (important components of the fixed asset item).

NOTE 2 – SIGNIFICANT ACCOUNTING PRINCIPLES, continued

Depreciation is recognized in the comprehensive income statement on a straight-line basis over the estimated useful lives of each part of an item of fixed assets.

The estimated useful lives for the fixed asset items are:

Own building and offices	10 years
Computer equipment	3 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.

v) Statements of cash flows

The Cash Flow Statement shows the changes in cash and cash equivalents derived from the activities of the operation, investment activities and financial activity during the year.

The indirect method has been used in the preparation of the 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 Flows: The cash and cash equivalent inflows and outflows.

(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.

w) Leases

As of December 31, 2018 and 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.

x) Tax Regime

As per article N°17 of Decree-Law N°824, Cooperatives are exempt from 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.

NOTE 2 – SIGNIFICANT ACCOUNTING PRINCIPLES, continued

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

y) Equity

In accordance with the provisions of the SBIF in the Compendium of Accounting Standards for Cooperatives (CNC) and in the General Cooperatives Law:

(i) The contributions of the partners are considered as equity from the moment they are actually received and provided that their return is not required, since in that case should be recognized as a liability.

(ii) Cooperatives must adjust the accounts that must be considered in the calculation of share value according to the variation of Unidades de Fomento, accounting against an equity account, whose balance will be computed together with the income of the year to determine the remaining or deficit of a period.

(iii) Cooperatives may in no case return shares without having previously paid in the cooperative capital contributions for an amount at least equivalent to the amount of the required returns due to legal, regulatory or statutory reasons, which makes them required or appropriate. Said payments shall be due and must be made in strict accordance with the date on which the circumstance that causes them takes place, with preference for collection by the dissident partner. The cooperative may not directly or indirectly distribute retained earnings or surpluses, refunds of the amounts paid by its members from subscription of shares or interest payments to the capital, if as a result of said distributions, refunds or payments, it violates the provisions established by the Board of the Central Bank of Chile for this purpose.

z) 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.

The estimates and relevant assumptions are reviewed regularly by the Management in order to quantify some assets, liabilities, income and expenses. Revisions to accounting estimates are recognized in the year in which the estimate is reviewed and in any future financial year affected.

In particular, the information on the most significant areas of uncertainties estimation and critical judgments in the application of accounting policies that have the most important effect on the amounts recognized in the Financial Statements, are described as concepts or used in the notes and are the following :

1. Useful life of intangible assets and fixed assets (Notes No. 11 and No. 12);
2. Provisions (Note N° 19);
3. Provision for credit risk (Note N° 8, N°26 and N° 33);
4. Fair value of financial assets and liabilities (Note N° 32).
5. Derivative contracts and accounting hedges (Note N°34)

(aa) Relative importance

The relative importance of items in the financial statements has determined the corresponding disclosed information.

NOTE 2 – SIGNIFICANT ACCOUNTING PRINCIPLES, continued

(ab) Reclassifications

There have been no significant reclassifications as of the reporting date.

(ac) New Accounting Pronouncements (IFRS)

The following is a summary of new standards, interpretations and improvements to international accounting standards issued by the International Accounting Standards Board (IASB), as follows:

i. Mandatory standards, interpretations and amendments for the first time for financial years beginning on January 1, 2018:

Standards and interpretations

Standard	Description	Mandatory application for periods started on:
IFRS 9 "Financial Instruments".	It replaces IAS 39. It includes requirements for the classification and measurement of financial assets and liabilities and an expected credit loss model that replaces the current loss impairment model. The part related to hedge accounting included in this final version of IFRS 9 was already published in November 2013. For purposes of these financial statements, this regulation has not yet been approved by the SBIF, which would be required for its local application.	01-01-2018
IFRS 15 "Revenue from contracts with customers"	It establishes the principles that an entity must apply for the presentation of useful information to the users of the financial statements in relation to the nature, amount, timing and uncertainty of the income and cash flows from contracts with customers. At the request of the SBIF, Coopeuch developed a detailed review process of the contracts that generate fee income, in order to determine the impact of the adoption of IFRS 15 as of September 30, 2017. Based on the review process carried out, it is estimated that this rule has no effect on Coopeuch Financial Statements.	01-01-2018
IFRIC 22 — "Foreign Currency Transactions and Advance Consideration"	It applies to a transaction in foreign currency (or part of it) when an entity recognizes a non-financial asset or non-financial liability arising from the payment or collection of an advance consideration before the entity recognizes the related asset, expense or income (or the part that corresponds). This interpretation has no impact on Coopeuch Financial Statements.	01-01-2018

NOTE 2 – SIGNIFICANT ACCOUNTING PRINCIPLES, continued

Amendments and improvements

Standard	Description	Mandatory application for periods started on:
Amendment to IFRS 2 "Share-based Payments."	It clarifies the measurement for cash-settled share-based payment and the accounting for modifications that change said payments to settlement with equity instruments. It requires the treatment of the premiums as if they were all settled as an equity instrument, when the employer is obliged to withhold the tax related to the share-based payments. Coopeuch will have no effect on its financial statements as a result of the adoption of this regulation.	01-01-2018
Amendment to IFRS 15 "Revenue from Contracts with Customers"	It clarifies the guide for the identification of performance obligations in contracts with clients, accounting for intellectual property licenses and the evaluation of principal versus agent (gross versus net income). Coopeuch will have no effect on its financial statements as a result of the adoption of this regulation.	01-01-2018
Amendment to IFRS 4 "Insurance Contracts", with respect to the application of IFRS 9 "Financial Instruments"	It introduces two approaches: (1) overlay, gives companies that issue insurance contracts the option to recognize in other comprehensive income the volatility that could arise when applying IFRS 9 (before the new insurance contract rule) and (2) temporary exemption from IFRS 9, allows companies whose activities are predominantly related to insurance, optionally apply a temporary exemption from IFRS 9 until the year 2021, continuing with the application of IAS 39. Coopeuch will have no effect on the Consolidated financial statements resulting from the adoption of these regulations.	01-01-2018
Amendment to IAS 40 "Investment Property"	It states that to transfer to, or from, investment properties, there must be a change in use, for which there must be an evaluation (supported by evidence) of whether the property meets the definition. Coopeuch has no effect on its Financial Statements due to the adoption of these regulations.	01-01-2018
Amendment to IFRS 1 "Adoption of IFRS for the first time"	It is related to the suspension of short-term exceptions for first-time adopters of the IFRS 7, IAS 19 and IFRS 10. Coopeuch will have no effect on its Financial Statements due to the adoption of this standard.	01-01-2018
Amendment to IAS 28 "Investments in Associates and Joint Ventures"	Related to the measurement of the associate or joint venture at fair value. No effect on Coopeuch.	01-01-2018

NOTE 2 – SIGNIFICANT ACCOUNTING PRINCIPLES, continued

ii. Standards, interpretations and amendments issued, whose application is not yet mandatory, for which no early adoption has been made.

Standard	Description	Mandatory application for periods started on:
IFRS 16 "Leases"	It establishes the principle for the recognition, measurement, presentation and disclosure of leases. IFRS 16 replaces the current IAS 17 and, unless the value of the underlying assets is low, it requires a lessee to recognize assets and liabilities for all lease contracts with terms over 12 months, IFRS 16 is effective for annual periods that begin on or after January 1, 2019. The Cooperative implemented this standard by reviewing all its lease agreements, considering the new accounting guidelines defined in IFRS 16. The standard will mainly affect the accounting for operating leases. At the reporting date, the Cooperative has operating lease commitments amounting to MCh$ 38,676. Of these commitments, approximately MCh$ 745 relates to short-term leases or low value leases, which will be recognized on a straight-line basis as expenses in income. For the remaining lease commitments, the Cooperative expects to recognize on January 1, 2019 assets for right-of-use and lease liabilities of approximately MCh$ 37,931 (after adjustments for prepayments and lease payments recognized as of December 31, 2018). Total net assets will be approximately MCh$ 32,446 higher in year 2019. The Cooperative expects the net income after tax to decrease by approximately MCh$ 1,328 by 2019, as a result of the adoption of the new standards. Administrative Expenses are expected to decrease by approximately MCh$ 567, as operating lease payments are excluded and replaced by depreciation of assets in use and interest to be reflected in the financial margin. The Cooperative does not have activities as a lessor, therefore it has no impact on the financial statements.	01-01-2019
IFRS 17 "Insurance Contracts"	It will mainly change the accounting for all entities that issue insurance contracts and investment contracts with characteristics of discretionary participation.	01-01-2021
IFRIC 23 — "Uncertainty over Income Tax Treatments"	It clarifies how the recognition and measurement requirements of IAS 12 apply when there is uncertainty about tax treatments.	01-01-2019
Amendment to IFRS 9 "Financial Instruments"	The amendment allows more assets to be measured at amortized cost than in the previous version of IFRS 9. For purposes of these financial statements, this regulation has not yet been approved by the SBIF, which is required for its local application.	01-01-2019
Amendment to IAS 28 "Investments in associates and joint ventures".	This amendment states that companies account for long-term investments in an associate or joint venture -where the equity method is not applied- using IFRS 9.	01-01-2019
Amendment to IFRS 3 "Business Combinations"	The acquirer must re-measure its previously held share in the joint operation at fair value at the acquisition date.	01-01-2019

NOTE 2 – SIGNIFICANT ACCOUNTING PRINCIPLES, continued

Standard	Description	Mandatory application for periods started on:
Amendment to IFRS 11 "Joint Agreements"	The party that obtains joint control of a company that is a joint operation must not re-measure its previously held share in the joint operation.	01-01-2019
Amendment to IAS 12 "Income Taxes"	The consequences of income tax on dividends on financial instruments classified as equity must be recognized in accordance with the recognition of transactions or past events that generated distributable profits.	01-01-2019
Amendment to IAS 23 "Loan Costs"	The amendment clarified, that if a specific loan remains outstanding after the qualifying asset is ready for its intended use or sale, it becomes part of the general loans.	01-01-2019
Amendment to IAS 9 “Employee benefits”	The amendment requires entities to use updated assumptions to determine the current service cost and net interest for the rest of the period after a plan modification, reduction, or liquidation; and to recognize in profit or loss as part of the past service cost, or a gain or loss in liquidation, any reduction in a surplus, even if that surplus was not previously recognized because it did not exceed the asset's maximum limit.	01-01-2019
Amendment to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting policies, changes in accounting estimates and errors”	It uses a consistent definition of materiality in all IFRSs and the Conceptual Framework for Financial Reporting; it clarifies the explanation of the definition of material; and incorporates some of the guidance in IAS 1 on immaterial information.	01-01-2020
Amendment to IFRS 3 “Definition of a Business”	It reviews the definition of a business. According to feedback received by the IASB, the application of the current guidance is often thought to be too complex, and results in too many transactions that qualify as business combinations.	01-01-2020
IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in associates and joint ventures"	The following one was issued by the IASB, and although its application was scheduled for 2016, the agency changed its position and now its application date is still to be defined. A full gain or loss is recognized when the transaction involves a business (whether it is in a subsidiary or not) and a partial gain or loss when the transaction involves assets that do not constitute a business, even if these assets are in a subsidiary.	Not specified

The Coopeuch management believes that the adoption of the standards, interpretations and amendments described above will not have a significant impact on the financial statements of the Cooperative in the period of its first application.

NOTE 3 – ACCOUNTING CHANGES

During the year ended December 31, 2018, no significant accounting changes have occurred that affect the presentation of these financial statements.

NOTE 4 – RELEVANT FACTS

a) Board of Directors

The fifty-second Coopeuch General Members Meeting was held on April 28, 2018, and in accordance with the Cooperative's bylaws, Miss Siria Jeldes Chang and Mr. Pedro del Campo Toledo were elected as Directors.

An Extraordinary Board Meeting was held on May 9, 2018, which appointed the Board of Directors for 2018-2019, as follows:

President	: Siria Jeldes Chang
Vice President	: Andrés Reinstein Alvarez
Secretary	: Edith Sanchez Meza
Counselor	: Carlos González Cáceres
Counselor	: Erik Haindl Rondanelli
Counselor	: Sergio Zúñiga Astudillo
Counselor	: Pedro del Campo Toledo

b) Bond placement:

A bond was placed in the local market on March 28, 2018 of UF 1,000,000, with a five-year term, at an annual emission rate of 1.95%.

c) International Bond Issuance:

On October 22, 2018, Coopeuch made a bond issue in Japan for a total of 3,000 million yens (equivalent to 27 million US dollars), for seven years, at an annual rate of 1.05%. The issuance was made under the Global Medium Term Notes program (GMTN).

d) Change in the credit risk model:

In January 2018, a new model of expected loss was implemented, which affected all the operations belonging to an agreement and ex-agreement of a non-renegotiated public scope. The implementation of this new model generated a release in provisions of MCh$ 3,783 with an effect on income for year 2018.

NOTE 5 – SEGMENT REPORTING

The Cooperative will disclose information on segments to the extent that certain quantitative parameters defined in IFRS 8 are met, such as:

- that the income generated represents 10% or more of the total annual income, of all the defined segments,
- that the total amount of its annual income is 10% or more of the higher value between the reported profit for all operating segments that did not report a loss and the reported loss of all operating segments that reported a loss, and
- that the total assets represent 10% or more of the assets of all the defined segments.

NOTE 5 – SEGMENT REPORTING, continued

Considering the definitions and criteria indicated in note 2 (c), according to the current composition of the products offered by the Cooperative and the management information that is presented regularly to the Board of Directors, it has been determined that the "**Persons**" segment is the only operating segment of the entity.

The total asset balances for the years ended December 31, 2018 and 2017 for the persons segment, broken down into Consumer, Mortgage and other products, are presented below.

The criterion for the distribution of assets, liabilities and income in each of the products is the participation percentage of the placements of consumer (71.24% in 2018 and 69.79% in 2017) and mortgage products (26.92% in 2018 and 28.30% in 2017) over the total placements of the persons segment.

Statement of Financial Position, Persons Segment, as of December 31, 2018

	Consumer Loans MCh$	Mortgage Loans MCh$	Others MCh$	Total MCh$
ASSETS				
Cash and deposits in banks	40,576	15,333	1,048	56,957
Trading instruments	11,654	4,404	301	16,359
Loans and account receivable from customers	1,007,344	380,622	26,071	1,414,037
Available-for-sale investment instruments	84,212	31,822	2,175	118,209
Investment in companies	19	8	1	28
Intangible Assets	4,392	1,660	113	6,165
Fixed Assets	7,522	2,842	194	10,558
Current Taxes	150	57	4	211
Other Assets	13,678	5,168	353	19,199
TOTAL ASSETS	**1,169,547**	**441,916**	**30,260**	**1,641,723**
LIABILITIES				
Deposits and other demand liabilities	15,375	5,810	397	21,582
Deposits and other term loans	474,549	179,321	12,257	666,127
Loans	7,137	2,697	184	10,018
Debt Instruments Issued	270,789	102,325	6,994	380,108
Current Taxes	967	365	25	1,357
Provisions	55,252	20,878	1,427	77,557
Other Assets	25,291	9,557	653	35,501
TOTAL LIABILITIES	**849,360**	**320,953**	**21,937**	**1,192,250**
EQUITY				
Capital and Reserves	370,074	139,843	9,558	519,475
Less:				
Adjustment of shares	(6,672)	(2,521)	(172)	(9,365)
Provision for interest on capital and surplus	(43,198)	(16,323)	(1,116)	(60,637)
TOTAL EQUITY	**320,204**	**120,999**	**8,270**	**449,473**
TOTAL LIABILITIES AND EQUITY	**1,169,564**	**441,952**	**30,207**	**1,641,723**

NOTE 5 – SEGMENT REPORTING, continued

Statement of Financial Position, Persons Segment, as of December 31, 2018

PROFIT / LOSS	**Consumer Loans MCh$**	**Mortgage Loans MCh$**	**Others MCh$**	**Total MCh$**
Income from interest and indexation adjustments	194,568	29,765	25,987	250,320
Expenses from interest and indexation adjustments	(42,289)	(15,980)	(1,092)	(59,361)
Net income from fee and commissions	14,395	5,439	372	20,206
Fee and commission expenses	(3,044)	(1,150)	(79)	(4,273)
Net income from financing operations	(740)	(279)	(19)	(1,038)
Other operating Income	1,108	419	29	1,556
Total Operating Income	**163,998**	**18,214**	**25,198**	**207,410**
Provisions for credit risk	(34,454)	599	698	(33,157)
Operating Net Income	**129,544**	**18,813**	**25,896**	**174,253**
Staff Remuneration and Expenses	(41,641)	(15,736)	(1,076)	(58,453)
Administrative Expenses	(24,721)	(9,341)	(638)	(34,700)
Depreciation, amortization and impairment	(5,217)	(1,971)	(135)	(7,323)
Other Operating Expenses	(1,751)	(662)	(45)	(2,458)
Total Operating Expenses	**(73,330)**	**(27,710)**	**(1,894)**	**(102,934)**
Operating Income	**56,214**	**(8,897)**	**24,002**	**71,319**
Income Tax	(938)	(355)	(24)	(1,317)
Surplus for the Year	**55,276**	**(9,252)**	**23,978**	**70,002**

NOTE 5 – SEGMENT REPORTING, continued

Statement of Financial Position, Persons Segment, as of December 31, 2017

	Consumer Loans MCh$	Mortgage Loans MCh$	Others MCh$	Total MCh$
ASSETS				
Cash and deposits in banks	24,505	9,937	671	35,113
Trading instruments	3,489	1,415	96	5,000
Loans and account receivables from customers	911,804	369,718	24,965	1,306,487
Available-for-sale instruments	80,159	32,505	2,194	114,858
Investment in companies	19	8	1	28
Intangible Assets	3,770	1,529	103	5,402
Fixed Assets	6,339	2,571	174	9,084
Current Taxes	85	34	2	121
Other Assets	10,730	4,351	294	15,375
TOTAL ASSETS	**1,040,900**	**422,068**	**28,500**	**1,491,468**
LIABILITIES				
Deposits and other demand liabilities	13,818	5,603	378	19,799
Deposits and other term loans	424,945	172,316	11,630	608,891
Loans	6,828	2,769	187	9,784
Debt Instruments Issued	229,230	92,954	6,274	328,458
Current Taxes	810	329	22	1,161
Provisions	50,013	20,280	1,369	71,662
Other liabilities	18,680	7,575	511	26,766
TOTAL LIABILITIES	**744,324**	**301,826**	**20,371**	**1,066,521**
EQUITY				
Paid-in Capital and Reserves	339,083	137,499	9,280	485,862
Less:				
Adjustment of shares	(3,614)	(1,466)	(99)	(5,179)
Provision for interest on capital and surplus	(38,898)	(15,773)	(1,065)	(55,736)
TOTAL EQUITY	**296,571**	**120,260**	**8,116**	**424,947**
TOTAL LIABILITIES AND EQUITY	**1,040,895**	**422,086**	**28,487**	**1,491,468**

NOTE 5 – SEGMENT REPORTING, continued

Statement of Financial Position, Persons Segment, as of December 31, 2017

PROFIT / LOSS	Consumer Loans MCh$	Mortgage Loans MCh$	Others MCh$	Total MCh$
Income from interest and indexation adjustments	183,763	25,630	8,386	217,779
Expenses from interest and indexation adjustments	(28,404)	(11,518)	(777)	(40,699)
Net income from fee and commissions	12,521	5,078	343	17,942
Fee and commission expenses	(2,143)	(869)	(59)	(3,071)
Net income from financing operations	1,894	768	52	2,714
Other operating Income	929	377	25	1,331
Total Operating Income	**168,560**	**19,466**	**7,970**	**195,996**
Provisions for credit risk	(40,854)	2,379	(1,762)	(40,237)
Operating Net Income	**127,706**	**21,845**	**6,208**	**155,759**
Staff Remuneration and Expenses	(38,522)	(15,621)	(1,054)	(55,197)
Administrative Expenses	(21,179)	(8,588)	(580)	(30,347)
Depreciation, amortization and impairment	(4,025)	(1,632)	(110)	(5,767)
Other Operating Expenses	(1,646)	(667)	(45)	(2,358)
Total Operating Expenses	**(65,372)**	**(26,508)**	**(1,789)**	**(93,669)**
Operating Income	**62,334**	**(4,663)**	**4,419**	**62,090**
Tax Income	(820)	(333)	(22)	(1,175)
Surplus for the Year	**61,514**	**(4,996)**	**4,397**	**60,915**

NOTE 6 – CASH AND BANK DEPOSITS

As of the closing date of the detailed periods, the balances included under cash and deposits in banks are the following:

Cash and Bank Deposits	2018 MCh$	2017 MCh$
Cash Balances (*)	51,033	30,917
Receivables (**)	3,762	2,685
Bank Deposits	54,795	33,602
Cash	2,162	1,511
Total cash and bank deposits	**56,957**	**35,113**

(*) At the end of 2018 and 2017, it considers current accounts in dollars.

(**) Corresponds to documents deposited in banks subject to withholding

NOTE 7 – TRADING INSTRUMENTS

As of the closing date of the detailed periods, the balance of the investments designated as financial instruments for trading is as follows:

	2018 MCh$	2017 MCh$
Term deposits from financial institutions	12,059	-
Mutual fund investments (*)		
Banchile capital efectivo serie P	-	5,000
Fondo mutuo scotia clipper serie B	4,300	-
Total	**16,359**	**5,000**

(*) These mutual funds correspond to the category of "Short Term Debt with duration less than or equal to 90 days".

NOTE 8 – CUSTOMER LOANS AND RECEIVABLES

a) Loans and accounts receivables from customers

As of December 31, 2018 and 2017, the composition of the loans portfolio is as follows:

As of December 31, 2018	ASSETS BEFORE PROVISIONS			RECORDED PROVISIONS			
	Normal portfolio	Impaired portfolio	Total	Individual provisions	Group provisions	Total	Net Assets
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Commercial Loans:							
Commercial loans	17,773	4,172	21,945	1,065	244	1,309	20,636
Loans with CORFO funding or guarantee	4,479	1,444	5,923	443	410	853	5,070
Student loans with CORFO guarantee	59	3	62	-	-	-	62
Other credits for College education	311	-	311	-	8	8	303
Subtotal	**22,622**	**5,619**	**28,241**	**1,508**	**662**	**2,170**	**26,071**
Mortgage loans:							
Other loans with mutual for housing	342,883	43,245	386,128	-	5,506	5,506	380,622
Subtotal	**342,883**	**43,245**	**386,128**	**-**	**5,506**	**5,506**	**380,622**
Consumer Loans:							
Consumer loans in installments, direct payment	75,801	32,995	108,796	-	27,403	27,403	81,393
Consumer loans in installments through payroll discounts	909,911	23,366	933,277	-	27,143	27,143	906,134
Credit Cards	20,165	1,270	21,435	-	1,618	1,618	19,817
Subtotal	**1,005,877**	**57,631**	**1,063,508**	**-**	**56,164**	**56,164**	**1,007,344**
Total	**1,371,382**	**106,495**	**1,477,877**	**1,508**	**62,332**	**63,840**	**1,414,037**

NOTE 8 – LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued

As of December 31, 2017	ASSETS BEFORE PROVISIONS Normal portfolio MCh$	Impaired portfolio MCh$	Total MCh$	RECORDED PROVISIONS Individual provisions MCh$	Group provisions MCh$	Total MCh$	Net Asset MCh$
Commercial loans:							
Commercial loans	16,093	4,805	20,898	1,966	454	2,420	18,478
Loans with CORFO funding or guarantee	5,816	1,001	6,817	235	562	797	6,020
Student loans with CORFO guarantee	91	3	94	-	4	4	90
Other credits for College education	390	-	390	-	13	13	377
Subtotal	**22,390**	**5,809**	**28,199**	**2,201**	**1,033**	**3,234**	**24,965**
Mortgage loans:							
Other loans with mutual for housing	331,825	44,272	376,097	-	6,379	6,379	369,718
Subtotal	**331,825**	**44,272**	**376,097**	**-**	**6,379**	**6,379**	**369,718**
Consumer loans:							
Consumer loans in installments, direct payment	90,569	34,608	125,177	-	29,678	29,678	95,499
Consumer loans in installments through payroll discounts	807,032	22,841	829,873	-	28,381	28,381	801,492
Credit cards	15,115	874	15,989	-	1,176	1,176	14,813
Subtotal	**912,716**	**58,323**	**971,039**	**-**	**59,235**	**59,235**	**911,804**
Total	**1,266,931**	**108,404**	**1,375,335**	**2,201**	**66,647**	**68,848**	**1,306,487**

NOTE 8 – LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued

b) Provisions for credit risk:

The movement of provisions for credit risk during the years 2018 and 2017 is summarized as follows:

	Individual Provisions MCh$	Global Provisions MCh$	TOTAL MCh$
Balance as of January 1, 2018	**2,201**	**66,647**	**68,848**
Portfolio Charge-offs			
Commercial Loans	(761)	(429)	(1,190)
Mortgage Loans	-	(973)	(973)
Consumer Loans	-	(50,702)	(50,702)
Total Charge-offs	**(761)**	**(52,104)**	**(52,865)**
Provisions Established	267	51,710	51,977
Provisions Released	(199)	(3,921)	(4,120)
Balance as of December 31, 2018	**1,508**	**62,332**	**63,840**

	Individual Provisions MCh$	Global Provisions MCh$	TOTAL MCh$
Balance as of January 1, 2017	**1,014**	**67,477**	**68,491**
Portfolio Charge-offs			
Commercial Loans	(21)	(431)	(452)
Mortgage Loans	-	(229)	(229)
Consumer Loans	-	(49,904)	(49,904)
Total Charge-offs	**(21)**	**(50,564)**	**(50,585)**
Provisions Established	1,494	53,740	55,234
Provisions Released	(286)	(4,006)	(4,292)
Balance as of December 31, 2017	**2,201**	**66,647**	**68,848**

In addition to these provisions for credit risk, additional provisions are agreed upon by the Board of Directors, which are presented as Provisions under Liabilities (Note No. 19).

NOTE 9 – INVESTMENT INSTRUMENTS

As of December 31, 2018 and 2017, the instruments designated as available-for-sale are detailed as follows:

	2018 MCh$	2017 MCh$
Investments quoted in active markets of the Chilean Government and the Central Bank:		
Instruments of Banco Central de Chile	42,487	41,164
Instruments of General Treasury of the Republic	75,722	73,694
Total	**118,209**	**114,858**

NOTE 9 – INVESTMENT INSTRUMENTS, continued

As of December 31, 2018, the portfolio of available-for-sale instruments includes an accumulated unrealized loss of MCh$ 208 (accumulated unrealized loss of MCh$ 528 in December 2017), recorded as valuation adjustment in equity.

During the 2018 and 2017 periods, there is no evidence of impairment in the available-for-sale investment instruments.

As of December 31, 2018 and 2017, the Cooperative does not record investment instruments held to maturity.

NOTE 10 – INVESTMENTS IN COMPANIES

As of December 31, 2018 and 2017, the Cooperative holds shares of Enel and CTC Services Companies, whose acquisition is associated with the services contracted thereto, valued at market value, in the amount of MCh$ 28, respectively.

NOTE 11 – INTANGIBLE ASSETS

(a) The composition of the item as of December 31, 2018 and 2017, is as follows:

	Useful Life in Months	Surplus Amortization in Months	Gross Balance	Accumulated amortization	Net Balance
			MCh$	MCh$	MCh$
Technological projects developed internally	48	21	9,176	(5,324)	3,852
Technology licenses acquired	24	11	12,727	(10,414)	2,313
Balance as of December 31, 2018			21,903	(15,738)	6,165

	Useful Life in Months	Surplus Amortization in Months	Gross Balance	Accumulated amortization	Net Balance
			MCh$	MCh$	MCh$
Technological projects developed internally	48	30	7,176	(4,156)	3,020
Technology licenses acquired	24	9	8,900	(6,518)	2,382
Balance as of December 31, 2017			16,076	(10,674)	5,402

NOTE 11 – INTANGIBLE ASSETS, continued

(b) This item presented the following variation during the years 2018 and 2017:

	2018		
	Projects	**Licenses**	**Total**
Gross Balance	**MCh$**	**MCh$**	**MCh$**
Balance as of January 1, 2018	**7,176**	**8,900**	**16,076**
Acquisition	2,000	4,016	6,016
Retirements	-	(189)	(189)
Total	**9,176**	**12,727**	**21,903**
Accumulated amortization			
Balance as of January 1, 2018	(4,156)	(6,518)	(10,674)
Amortization of the period	(1,168)	(3,846)	(5,014)
Retirements	-	(50)	(50)
Total	**(5,324)**	**(10,414)**	**(15,738)**
Balance as of December 31, 2018	**3,852**	**2,313**	**6,165**

	2017		
	Projects	**Licenses**	**Total**
Gross Balance	**MCh$**	**MCh$**	**MCh$**
Balance as of January 1, 2017	6,230	6,407	12,637
Acquisition	946	2,493	3,439
Retirements	-	-	-
Total	**7,176**	**8,900**	**16,076**
Accumulated amortization			
Balance as of January 1, 2017	(3,074)	(3,676)	(6,750)
Amortization of the period	(1,082)	(2,842)	(3,924)
Retirements	-	-	-
Total	**(4,156)**	**(6,518)**	**(10,674)**
Balance as of December 31, 2017	**3,020**	**2,382**	**5,402**

NOTE 12 – FIXED ASSETS

a) The composition of the fixed assets as of December 31, 2018 and 2017 is as follows:

	Gross Balance		Accumulated amortization		Net Balance	
	2018	2017	2018	2017	2018	2017
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Remodeling leased premises	8,394	6,446	(2,654)	(1,478)	5,740	4,968
Furniture	3,062	2,873	(2,143)	(1,931)	919	942
Machines and equipment	1,442	1,242	(1,140)	(1,014)	302	228
Facilities	757	706	(663)	(618)	94	88
Computer equipment	5,205	4,656	(3,463)	(2,907)	1,742	1,749
Buildings	1,235	1,235	(681)	(611)	554	624
Land	485	485	-	-	485	485
Others fixed assets	722	-	-	-	722	-
Total	**21,302**	**17,643**	**(10,744)**	**(8,559)**	**10,558**	**9,084**

b) The movement of fixed assets as of December 31, 2018 and 2017 is as follows:

As of December 31, 2018	Remodeling leased premise	Furniture	Machines and Equip.	Facilities	Computing Equip.	Building	Land	Others fixed assets	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Balance as of January 1, 2018	**6,446**	**2,873**	**1,242**	**706**	**4,656**	**1,235**	**485**	**-**	**17,643**
Additions	1,948	189	200	51	670	-	-	722	**3,780**
Retirements	-	-	-	-	(121)	-	-	-	**(121)**
Sub Total	**8,394**	**3,062**	**1,442**	**757**	**5,205**	**1,235**	**485**	**722**	**21,302**
Accumulated depreciation as of January 1, 2018	**(1,478)**	**(1,931)**	**(1,014)**	**(618)**	**(2,907)**	**(611)**	**-**	**-**	**(8,559)**
Retirements	-	-	-	-	51	-	-	-	51
Depreciation of the period	(1,176)	(212)	(126)	(45)	(607)	(70)	-	-	(2,236)
Sub Total	**(2,654)**	**(2,143)**	**(1,140)**	**(663)**	**(3,463)**	**(681)**	**-**	**-**	**(10,744)**
TOTAL	**5,740**	**919**	**302**	**94**	**1,742**	**554**	**485**	**722**	**10,558**

As of December 31, 2017	Remodeling leased premise	Furniture	Machines and Equip.	Facilities	Computing Equip.	Building	Land	Others fixed assets	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Balance as of January 1, 2017	5,140	2,368	1,133	687	4,291	1,419	631	**-**	15,669
Additions	1,306	505	109	19	749	-	-	-	2,688
Retirements	-	-	-	-	(384)	(184)	(146)	-	(714)
Sub Total	**6,446**	**2,873**	**1,242**	**706**	**4,656**	**1,235**	**485**	**-**	**17,643**
Accumulated depreciation as of January 1, 2017	(816)	(1,778)	(930)	(587)	(2,468)	(620)	-	**-**	(7,199)
Retirements	-	-	-	-	186	90	-	-	276
Depreciation of the period	(662)	(153)	(84)	(31)	(625)	(81)	-	-	(1,636)
Sub Total	**(1,478)**	**(1,931)**	**(1,014)**	**(618)**	**(2,907)**	**(611)**	**-**	**-**	**(8,559)**
TOTAL	**4,968**	**942**	**228**	**88**	**1,749**	**624**	**485**	**-**	**9,084**

NOTE 12 – FIXED ASSETS, continued

c) As of December 31, 2018 and 2017, the Cooperative has operating lease agreements that cannot be rescinded unilaterally. The information on future payments is broken down as follows:

Period	Up to 1 year	More than 1 year & up to 3 years	More than 3 years & up to 5 years	More than 5 years
	MCh$	MCh$	MCh$	MCh$
2018	5,984	10,831	8,219	18,132
2017	5,512	9,844	6,884	16,755

These lease agreements are operational. The lease assets are not presented in the Statement of Financial Position in accordance with IAS No. 17. They have an average life of 5 years and there are no restrictions for the lessee.

NOTE 13 – ASSETS, LIABILITIES AND TAX PROFIT OR LOSS

As of December 31, 2018 and 2017, the Cooperative has recognized the following assets for tax credits and provision of expense for first category income tax, as indicated in note 2x):

	2018	2017
Assets	**MCh$**	**MCh$**
Tax Credits	211	121
Liability		
Income Tax	(1,357)	(1,161)
Net Total	**1,146**	**1,040**

Tax Profit or Loss		
	2018	**2017**
Charges to Income	**MCh$**	**MCh$**
Income tax charges	(1,317)	(1,175)
Profit and Loss for Income Tax	**(1,317)**	**(1,175)**

NOTE 14 – OTHER ASSETS

As of December 31, 2018 and 2017, the composition of the item is as follows:

	2018	2017
Other assets:	**MCh$**	**MCh$**
Accounting hedges and derivatives (*)	9,405	1,040
Accounts receivable from insurance brokerage	4,867	4,830
Vendor invoices to be processed (**)	992	732
MINVU Benefits	707	411
Outstanding debit transactions	680	549
Pre-paid expenses	678	549
Assets received in lieu of payment	475	459
Collateral for derivative valuation (***)	424	4,674
Lease guarantees	362	343
Fixed asset advanced payment	333	1,320
Accounts receivable	143	355
Other	133	113
Total	**19,199**	**15,375**

(*) It corresponds to the positive effects of the valuations of derivative products. The net effect of valuations, presented in Note 34 "Derivative Instruments and Accounting Hedges", amounting to MCh$ 2,900 as of December 31, 2018 and MCh$ (4,032) as of December 31, 2017, is generated by subtracting from these values the negative effects recorded in Other Liabilities, as described in note 20, amounting to MCh$ (6,505) as of December 31, 2018 and MCh$ (5,072) as of December 31, 2017.

(**) It corresponds to invoices registered in the Purchase and Sale Registry of the SII that are in payment process as of December 31, 2018 and 2017.

(***) It is equivalent to USD 612,000 delivered as collateral, in compliance with the conditions defined in the cash flow hedge accounting contract (USD 7,590,000 in 2017).

NOTE 15 – DEPOSITS AND OTHER DEMAND OBLIGATIONS

As of December 31, 2018 and 2017, the composition of the item is as follows:

	2018	2017
	MCh$	**MCh$**
Demand deposits from partners	5,018	2,308
Term deposits due	552	781
Other demand liabilities	16,012	16,710
Total	**21,582**	**19,799**

NOTE 16 – DEPOSITS AND OTHER TERM BORROWINGS

As of December 31, 2018 and 2017, the composition of the item is as follows:

	2018 MCh$	2017 MCh$
Term deposits from partners	179,025	129,753
Term deposits from third parties	115,909	148,683
Term savings accounts from partners	192,215	161,563
Term savings accounts from third parties	178,978	168,892
Total	**666,127**	**608,891**

NOTE 17 – LOANS SECURED

a) As of December 31, 2018 and 2017, the balances of Loans secured are as follows:

	2018 MCh$	2017 MCh$
Domestic Bank		
Banco Estado	9,148	8,913
Scotiabank	-	-
Sub Total	**9,148**	**8,913**
Other Obligations		
Use of credit card	810	794
Corfo Credit	60	77
Sub Total	**870**	**871**
Total	**10,018**	**9,784**

b) As of December 31, 2018 and 2017, the composition of the obligations with domestic banks is as follows:

2018

Financial entity	Start Date	End Date	Currency	Annual rate	Term	Amount MCh$
Banco Estado	10-29-2015	10-29-2020	CLP	5.63%	5 years	7,067
Banco Estado	12-29-2018	06-27-2019	USD	3.53%	6 months	2,081
				Total		**9,148**

2017

Financial entity	Start Date	End Date	Currency	Annual rate	Term	Amount MCh$
Banco Estado	10-29-2015	10-29-2020	CLP	5.63%	5 years	7,066
Banco Estado	12-29-2017	06-27-2018	USD	2.23%	6 months	1,847
				Total		**8,913**

NOTE 18 – DEBT INSTRUMENTS ISSUED

a) As of December 31, 2018 and 2017, the balance of the debt instruments issued is as follows:

	2018 MCh$	2017 MCh$
Debt Instruments Issued:		
Current bonds	380,108	328,458
Total	**380,108**	**328,458**

b) The balance of the bonds issued is detailed as follows:

As of December 31, 2018:

Series	Amount MCh$	Term	Annual Issuance rate	Issuance Date	Maturity Date	Currency
BCOOB20609	52,201	20 years	4.60%	06-01-2009	06-01-2029	UF
BCOO-C0713	42,365	21 years	3.85%	07-10-2013	07-10-2034	UF
BCOOD20514	69,899	25 years	3.80%	05-05-2014	05-05-2039	UF
BCOOE20315	83,294	25 years	3.50%	03-01-2015	03-01-2040	UF
BCOOF20318	27,822	5 years	1.95%	03-28-2018	03-15-2023	UF
CH0383104376 (*)	86,319	4 years	1.05%	10-16-2017	10-15-2021	CHF
XS1890679415 (*)	18,208	7 years	1.05%	10-22-2018	10-30-2025	JPY
Total	**380,108**					

(*) Issuance made in Switzerland and Japan according to the terms indicated in note 4 (c). The other issuances have been made in the local market.

As of December 31, 2017:

Series	Amount MCh$	Term	Annual Issuance rate	Issuance Date	Maturity Date	Currency
BCOOB20609	54,783	20 years	4.60%	06-01-2009	06-01-2029	UF
BCOOC0713	43,836	21 years	3.85%	07-10-2013	07-10-2034	UF
BCOOD20514	71,541	25 years	3.80%	05-05-2014	05-05-2039	UF
BCOOE20315	80,948	25 years	3.50%	03-01-2015	03-01-2040	UF
CH0383104376 (*)	77,350	4 years	1.05%	09-27-2018	10-15-2021	CHF
Total	**328,458**					

NOTE 19 – PROVISIONS

a) As of December 31, 2018 and 2017, the composition of the item is as follows:

	2018 MCh$	2017 MCh$
Provisions for prior year surplus (1)	60,637	55,736
Provisions for staff payroll and benefits	6,060	5,596
Additional provisions for placements (2)	5,500	5,500
Provisions for premiums refund (3)	4,333	4,022
Provisions for contingent credit risk (4)	1,027	808
Total	**77,557**	**71,662**

1) Provision for surplus distribution to partners of the Cooperative.
2) Additional provisions to the application of portfolio evaluation models, as written in letter m) of Note 2 "Significant accounting criteria".
3) Provisions for fee and commission returns for insurance premiums associated with the granting of consumer loans.
4) Provisions established by the SBIF for free credit card quotas.

b) For the periods of 2018 and 2017, the movement of the provisions of this item is summarized as follows:

	Provisions for surplus of previous period MCh$	Provisions for employee benefits and remuneration MCh$	Additional provisions of loan portfolio MCh$	Provision for refund of insurance premiums MCh$	Provisions for contingent loan risk MCh$
Balances as of January 1, 2017	**42,690**	**5,925**	**2,500**	**3,940**	**380**
Provisions implemented	(42,690)	(3,703)	-	(2,961)	-
Provisions established	55,736	3,374	3,000	3,043	532
Provisions released	-	-	-	-	(104)
Balances as of December 31, 2017	**55,736**	**5,596**	**5,500**	**4,022**	**808**
Provisions implemented	(55,736)	(3,027)	-	(3,256)	-
Provisions established	60,637	3,491	-	3,567	399
Provisions released	-	-	-	-	(180)
Balances as of December 31, 2018	**60,637**	**6,060**	**5,500**	**4,333**	**1,027**

c) Provisions for staff benefits and payroll:

	2018 MCh$	2017 MCh$
Provisions for staff vacation (1)	2,830	2,495
Staff severance indemnities provisions (2)	1,941	2,040
Provisions for other employee benefits (3)	1,289	1,061
Total	**6,060**	**5,596**

NOTE 19 – PROVISIONS, continued

1) Short-term Staff Benefits

2) Severance indemnities that the Cooperative must pay to the workers, valued according to the method of the projected credit unit method, including as variables the turnover rate of the personnel, the expected salary growth and the probability of using this benefit, discounted at the current rate for long-term operations in accordance with International Accounting Standard No. 19 (IAS 19) Employee Benefits

3) Benefit granted to its employees as a bonus for years of service, paid every 5 years from 10 years and onwards. The calculation of this obligation includes variables such as labor turnover, mortality rates and retirement ages discounted at the current rate for long-term operations in accordance with International Accounting Standard No. 19 (IAS 19) Employee Benefits.

c.i) Movement of staff vacation provision

	2018 MCh$	2017 MCh$
Balances as of January 1	2,495	2,291
Provisions established	2,844	2,481
Provisions implementation	(2,509)	(2,277)
Provisions released	-	-
Total	**2,830**	**2,495**

c.ii) Movement of severance indemnities provisions

	2018 MCh$	2017 MCh$
Balances as of January 1	2,040	2,729
Provisions established	284	619
Provisions implementation	(383)	(1,308)
Provisions released	-	-
Total	**1,941**	**2,040**

c.iii) Movement of the provision for other employee benefits

	2018 MCh$	2017 MCh$
Balances as of January 1	1,061	905
Provisions established	363	274
Provisions implementation	(135)	(118)
Provisions released	-	-
Total	**1,289**	**1,061**

NOTE 20 – OTHER LIABILITIES

As of December 31, 2018 and 2017, the composition of the item is as follows:

	2018 MCh$	2017 MCh$
Accounts payable	14,355	13,717
Accounting hedges and derivatives (*)	6,505	5,072
Insurances payable	4,853	4,494
Guarantees received by derivatives (**)	4,451	-
Wages & salaries payable	2,582	1,760
Vendor invoices to be processed (***)	992	732
Early settlement accounting hedges	570	-
Expenses provisions	397	430
Taxes payable	351	89
Accounts payable - agreements	233	263
Creditor pending operations	120	73
Creditors - Miscellaneous	87	131
Other liabilities	5	5
Total	**35,501**	**26,766**

(*) See explanation in note 14, Other Assets.
(**) It is equivalent to USD 6,426,000 received as collateral, in compliance with the conditions defined in cash flow hedge accounting contracts.
(***) It corresponds to invoices registered in the Purchase and Sale Registry of the SII that are in payment process as of December 31, 2018 and 2017.

NOTE 21 – EQUITY

a) Reserves:

On January 6, 2017, Law No. 20,881 was published, amending the General Law on Cooperatives. Among other matters, it eliminated the obligation to increase the Legal Reserve with part of the surplus for the year for savings and loan cooperatives supervised by the Superintendency of Banks and Financial Institutions. Prior to this amendment, Article 38 of the General Law of Cooperatives stipulated that not less than 20% of the surplus or profit for the year should be used to increase the Legal Reserve Fund.

b) Surplus paid:

In the General Partners' Meeting held on April 22, 2018, it was agreed to distribute to the Cooperative Partners the total 2017 surplus for an amount of MCh$ 55,736 (MCh$ 42,690 paid in 2017).

c) Number of Shares:

As of December 31, 2018 the paid-in capital of the Cooperative is MCh$ 340,863 and is represented by 1,291,147,199 number of shares at a value of $264 each (MCh$ 313,008 represented by 1,217,930,677 at a value of $257 each for 2017):

	Number of Shares	
Progress	**2018**	**2017**
Initial Balance	1,217,930,677	1,155,466,160
Contributions	151,961,261	139,052,786
Redemptions	(78,744,739)	(76,588,269)
Final Balance	**1,291,147,199**	**1,217,930,677**

NOTE 21 – EQUITY, continued

d) Effective Equity:

According to the stipulations of chapter III.C.2-2 of the Compendium of Financial Standards of the Central Bank of Chile, the Savings and Credit Cooperatives that are supervised by the SBIF must have an effective equity of not less than 10% of its risk-weighted assets, net of provisions required, or less than 5% of its total assets, net of provisions required. Likewise, and for the purposes of compliance with the foregoing, the assets will be weighted according to the risk established in Article N ° 67 of the D.F.L. N° 3 of 1997, contained in the General Banking Act.

At the end of 2018 and 2017, the Cooperative presents the following situation:

	2018 MCh$	2017 MCh$
Effective Equity (*)	514,109	481,354
Total qualifying assets	1,634,148	1,492,943
Percentage	**31.46%**	**32.24%**
Effective Equity (*)	514,109	481,354
Risk-weighted assets	1,302,689	1,201,304
Percentage	**39.47%**	**40.07%**

(*) Equivalent, for these purposes, to paid-in capital and reserves, as defined in Circular No. 108 for Cooperatives of the SBIF and Chapter III.C.2 of the Compendium of Financial Regulations of the Central Bank of Chile.

e) Valuation Accounts:

This item records the accumulated net changes in the fair value of investments available for sale, whose balance as of December 31, 2018 and 2017 amounts to MCh$ (208) and MCh$ (528), respectively. In addition, the valuation of the cash flow accounting hedges as of December 31, 2018 and 2017 are considered, amounting to MCh$ (3,791) and MCh$ (444) respectively.

NOTE 22 – CONTINGENCIES, COMMITMENTS AND RESPONSIBILITIES

a) Commitments and responsibilities

As of December 31, 2018 and 2017, the Cooperative has recorded the following balances related to commitments that, in the occurrence of a future event, imply a payment or disbursement in which it assumes a credit risk:

	2018 MCh$	2017 MCh$
Freely available credit card quotas	79,377	68,081
Total	**79,377**	**68,081**

b) Lawsuits and legal proceedings

As of the date of issuance of these Financial Statements, there are no legal actions filed against the Cooperative that may directly or indirectly affect its Financial Statements.

NOTE 23 – INCOME AND EXPENSES FROM INTEREST AND INDEXATION ADJUSTMENTS

At the closure of financial statements on December 31, 2018 and 2017, the composition of income and expenses from interest and indexation adjustments is as follows:

	2018			2017		
	Interests MCh$	Readjustment MCh$	Total MCh$	Interests MCh$	Readjustment MCh$	Total MCh$
INCOME						
Commercial Loans	1,804	355	2,159	2,129	257	2,386
Housing Mortgage Loans	19,207	10,558	29,765	19,362	6,268	25,630
Consumer Loans	194,568	-	194,568	183,763	-	183,763
Investment Instruments available for sale	1,296	3,302	4,598	1,104	1,932	3,036
Other income from interest and indexation adjustments	4,126	15,104	19,230	1,830	1,134	2,964
Total	**221,001**	**29,319**	**250,320**	**208,188**	**9,591**	**217,779**

As of December 31, 2018, suspended interest and indexation adjustments associated with nonperforming loans for a total amount of MCh$ 1,513 are recorded in memorandum accounts. Of these, MCh$ 1,478 million were derived from the mortgage portfolio and MCh$ 35 from Mype commercial loans.

	2018			2017		
EXPENSES	Interests MCh$	Readjustment MCh$	Total MCh$	Interests MCh$	Readjustment MCh$	Total MCh$
Saving accounts	10,246	1,098	11,344	9,154	582	9,736
Term deposits	8,849	2	8,851	11,043	-	11,043
Loans obtained in the country	478	-	478	459	2	461
Debt instruments issued	10,135	7,597	17,732	9,936	4,233	14,169
Other expenses from interest and indexation adjustments	11,015	9,941	20,956	2,139	3,151	5,290
Total	**40,723**	**18,638**	**59,361**	**32,731**	**7,968**	**40,699**

NOTE 24 – INCOME AND EXPENSES FROM FEE AND COMMISSIONS

At the closure of this financial statements of December 31, 2018 and 2017, the composition of fee and commission income and expenses is as follows:

INCOME	**2018 MCh$**	**2017 MCh$**
Third party services commissions from insurance sale	18,189	16,601
Fee and commissions from credit cards	1,826	1,235
Fee and commissions from other services provided	191	106
Subtotal	**20,206**	**17,942**

EXPENSES	**2018 MCh$**	**2017 MCh$**
Fee and commissions from credit card operations	2,516	1,847
Fee and commissions from debit card operations and ATMs	370	207
Fee and commissions collected from external companies	748	228
Fee and commissions from mortgage loan management	376	259
Fee and commissions paid to banks	203	204
Other fee and commissions for services	60	326
Subtotal	**4,273**	**3,071**

NOTE 25 – INCOME FROM FINANCIAL OPERATIONS

As of December 31, 2018 and 2017, the detail of the income from financial transactions is as follows:

	2018 MCh$	2017 MCh$
Trading portfolio	(1,132)	2,598
Available for sale portfolio	42	122
Other operations	52	(6)
Total	**(1,038)**	**2,714**

NOTE 26 – CREDIT RISK PROVISIONS

The movement recorded between January 1 and December 31, 2018 and 2017 for provisions and impairment is summarized as follows:

As of December 31, 2018	**Commercial Loans MCh$**	**Mortgage Loans MCh$**	**Consumer Loans MCh$**	**Contingent Credits MCh$**	**Total MCh$**
Implementation of Provisions:					
Individual provisions	(267)	-	-	-	(267)
Group Provisions	(215)	(477)	(51,018)	(400)	(52,110)
Provisions established, net	**(482)**	**(477)**	**(51,018)**	**(400)**	**(52,377)**
Provisions released					
Individual provisions	960	-	-	-	960
Group provisions	275	613	2,272	181	3,341
Provisions released, net	**1,235**	**613**	**2,272**	**181**	**4,301**
Recovery of charged-off assets	164	463	14,292	-	14,919
Additional provisions	-	-	-	-	-
Net result of credit risk provisions	**917**	**599**	**(34,454)**	**(219)**	**(33,157)**

As of December 31, 2017	**Commercial Loans MCh$**	**Mortgage Loans MCh$**	**Consumer Loans MCh$**	**Contingent Credits MCh$**	**Total MCh$**
Implementation of Provisions:					
Individual provisions	(1,494)	-	-	-	(1,494)
Group Provisions	(779)	(135)	(52,826)	(529)	(54,269)
Provisions established, net	**(2,273)**	**(135)**	**(52,826)**	**(529)**	**(55,763)**
Provisions released					
Individual provisions	283	-	-	-	283
Group provisions	470	2,136	1,400	104	4,110
Provisions released, net	**753**	**2,136**	**1,400**	**104**	**4,393**
Recovery of charged-off assets	183	378	13,572	-	14,133
Additional provisions	-	-	(3,000)	-	(3,000)
Net result of credit risk provisions	**(1,337)**	**2,379**	**(40,854)**	**(425)**	**(40,237)**

In the opinion of Management, the provisions for credit risk and impairment cover all possible losses that may arise from non-recovery of assets, based on the information examined by the Cooperative.

NOTE 27 – STAFF REMUNERATION AND EXPENSES

The breakdown of staff remuneration and expenses for the years ended December 31, 2018 and 2017, is as follows:

	2018	2017
	MCh$	MCh$
Remuneration	27,317	25,935
Bonuses	24,319	22,847
Lunch allowance	2,129	2,061
Staff severance indemnities	1,630	1,721
Health and life insurance	920	880
Training expenses	863	436
Entertainment allowance	660	688
Other personnel expenses	392	226
Staff uniforms	121	285
Nursery expenses	102	118
Total	**58,453**	**55,197**

NOTE 28 – ADMINISTRATIVE EXPENSES

As of December 31, 2018 and 2017, administrative expenses are detailed as follows:

	2018	2017
	MCh$	MCh$
Administration expenses / employer agreements	4,169	3,673
Office Rental	4,163	4,096
Information technology and communications	3,914	3,067
Expenses for financial, legal and technological advisory services	3,598	2,943
Expenses for judicial and pre-judicial collections	2,413	2,390
Other administrative overhead	2,226	1,932
Rental of equipment and others	2,082	1,680
Maintenance and repair of fixed assets	1,970	1,874
Publicity and advertising	1,784	1,604
Technological outsourcing	1,582	596
Staff representation and mobilization expenses	1,369	1,589
Surveillance and housekeeping services	1,275	958
Office supplies	1,031	863
Management and executives expenses	901	841
Lighting, heating and other utilities	596	542
Customer reports and address verification	478	536
Contributions to Superintendencies of Banks and Financial Institutions	444	406
Expenses for Members' meeting and surplus distribution	277	381
Patents and real estate taxes	218	210
Insurance premiums	210	166
Total	**34,700**	**30,347**

NOTE 29 – DEPRECIATIONS, AMORTIZATIONS AND IMPAIRMENT

The amounts charged to income for depreciation and amortization as of December 31, 2018 and 2017, are detailed as follows:

	Nota	2018	2017
Depreciation and amortization:		**MCh$**	**MCh$**
Amortization of intangible assets	11	5,014	3,924
Depreciation and amortization of fixed assets	12	2,236	1,636
Charge-offs and impairment of fixed assets	12	73	207
Total		**7,323**	**5,767**

NOTE 30 – OTHER OPERATING INCOME AND EXPENSES

As of December 31, 2018 and 2017, these items are as follows:

	2018	2017
Other Operating Income	**MCh$**	**MCh$**
Gain on sale of assets received in lieu of payment	1,180	701
Recovery of collection expenses and others	281	530
Proportional VAT recovery	84	69
Other Income	11	31
Total	**1,556**	**1,331**

	2018	2017
Other Operating Expenses	**MCh$**	**MCh$**
Contributions to employers and sponsored schools	1,001	1,105
Expenses for assets received in lieu of payment	339	326
University bonuses	258	311
Operational and commercial expenses	256	292
Scholarships	205	174
Compensation for labor lawsuits	212	-
Contribution to partnership and Cooperative Forums	105	78
Other Expenses	82	72
Total	**2,458**	**2,358**

NOTE 31 – RELATED PARTY TRANSACTIONS

In accordance with the General Law of Cooperatives, the provisions of the Compendium of Financial Regulations of the Central Bank of Chile and the accounting instructions issued by the SBIF, natural or legal persons related to the ownership or management of the institution, directly or through third parties, are considered related parties.

NOTE 31 – RELATED PARTY TRANSACTIONS, continued

a) Loans to related parties.

As of December 31, 2018 and 2017, the loans granted to related persons are composed as follows:

i) Summary of Loans Portfolio	2018 Individuals MCh$	2017 Individuals MCh$
Loans and accounts receivable		
Commercial Loans	-	-
Housing mortgage loans	20	34
Consumer Loans	45	25
Gross Loans	**65**	**59**
Provisions for Loan losses	(1)	0
Net loans	**64**	**59**
Contingent loans:		
Total contingent loans	115	151
Provisions on contingent loans	(1)	(1)
Contingency loans, net	**114**	**150**

ii) Summary of Portfolio income and expenses:

	2018 MCh$	2017 MCh$
Interest and indexation income	1	3
Interest and indexation expensess	-	-
Contingent loans, net	**1**	**3**

b) Related Parties Contracts

As of December 31, 2018 and 2017, the Cooperative does not have other contracts with related parties.

c) Payment to the Board of Directors and key management personnel

The remuneration received by the key management personnel as of December 31, 2018 and 2017, are the following:

Payments to Board of Directors and key management personnel	2018 MCh$	2017 MCh$
Board of Directors	665	650
Supervision Committee and Credit Committee	215	166
Key personnel	3,956	3,897
Total	**4,836**	**4,713**

NOTE 31 – RELATED PARTY TRANSACTIONS, continued

d) Board of Directors members and key personnel

As of December 31, 2018 and 2017, the Management's composition is as follows:

	Number of executives	
Position	**2018**	**2017**
Counselors	7	7
Supervision Committee and Credit Committee	6	6
CEO	1	1
Division Managers	5	5
Department Managers	21	17

NOTE 32 – FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

According to the regulations of the Superintendency of Banks and Financial Institutions, "fair value" is generally understood as the price that a financial instrument would reach at a given time in a free and voluntary transaction between stakeholders duly informed and independent each other.
The fair value can be obtained through market prices, if the financial instrument is quoted on an active market, or through model valuation in the case of complex transactions or operations, in order to ensure that the valuation of the portfolios is being performed in accordance with the established criteria, and respecting a necessary segregation of functions established in the Fair Value Policy.

To achieve the appropriate measurements and controls, the Cooperative, takes into account at least the following aspects:

(i) Standard Method

To value financial instruments, Coopeuch uses industry standard modeling; quota as discounted cash flows and valuation as per instrument units. The parameters for the valuation correspond to rates and prices for different terms and market factors that are traded very often.

(ii) Market Information Sources

The Cooperative has defined authorized suppliers as a source of data, from which indicators, rates, prices, etc. can be rescued. In addition, these suppliers are subdivided into primary data sources and secondary or contingency data sources. The primary sources correspond to the sources that will prevail in the generation of prices. On the other hand, secondary sources will be used to validate prices and replace them in case of contingency or absence of data from primary sources.

Within the primary sources are RiskAmeria, Banco Central, SVS and national and international brokers. They obtain information of the financial instruments like prices, quotations and parities for the relevant markets.

NOTE 32 – FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

(a) Hierarchy of instruments valued at Fair Value

The regulations establish that fair value measurements must be sufficiently documented with a clear identification of the method used. In particular, it should be easy to determine whether the origin of the input data and the assumptions used have been valued at market prices or through modelling. In order to identify the methods used, Coopeuch classifies the financial instruments it holds in its portfolio at the following levels:

i. Level 1

Instruments valued directly at market price, which are collected directly from day transactions for identical assets in the active market. It is considered an active market if it has permanent updated quotes, which reflect voluntary transactions carried out regularly in the markets, and can be obtained systematically and expeditiously.

ii. Level 2

Instruments valued indirectly with market quotes, in other words, the price is obtained by "approximation" of the financial instruments' value that are being actively traded in the market.

iii. Level 3

Instruments valued through modeling, based on the estimation of a theoretical price using valuation models. Modeling always maximizes the use of market information.

NOTE 32 – FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

(b) Financial instruments classified by level of valuation

The following table shows the classification, by levels, of financial instruments recorded at fair value.

	Level 1		Level 2		Level 3		Total	
	Dec-18 MCh$	Dec -17 MCh$	Dec -18 MCh$	Dec -17 MCh$	Dec -18 MCh$	Dec -17 MCh$	Dec -18 MCh$	Dec -17 MCh$
Financial Assets								
Trading Instruments								
From Chilean Government or Banco Central	-	-	-	-	-	-	-	-
Other National Institutions	12,059	-	-	-	-	-	12,059	-
Mutual Funds Investment	4,300	5,000	-	-	-	-	4,300	5,000
Subtotal	16,359	5,000	-	-	-	-	16,359	5,000
Derivative Contracts for Trading								
Forwards	-	-	8	152	-	-	8	152
Subtotal	-	-	8	152	-	-	8	152
Hedging Derivative Contracts								
Fair Value (Swap)	-	-	-	-	-	-	-	-
Cash Flow (Swap)	-	-	4,550	66	-	-	4,550	66
Subtotal	-	-	4,550	66	-	-	4,550	66
Available for Sale Instruments								
From Chilean Government and Banco Central	118,209	114,858	-	-	-	-	118,209	114,858
Other National Institutions	-	-	-	-	-	-	-	-
Subtotal	118,209	114,858	-	-	-	-	118,209	114,858
Total Financial Assets	**134,568**	**119,858**	**4,558**	**218**	**-**	**-**	**139,126**	**120,076**

	Level 1		Level 2		Level 3		Total	
	Dec-18 MCh$	Dec-17 MCh$	Dec-18 MCh$	Dec-17 MCh$	Dec-18 MCh$	Dec-17 MCh$	Dec-18 MCh$	Dec-17 MCh$
Financial Liabilities								
Derivative Contracts for Trading								
Forwards	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-
Hedging Derivative Contracts								
Fair Value (Swap)	-	-	-	-	-	-	-	-
Cash Flow (Swap)	-	-	1,658	4,250	-	-	1,658	4,250
Subtotal	-	-	1,658	4,250	-	-	1,658	4,250
Total Financial Liabilities	**-**	**-**	**1,658**	**4,250**			**1,658**	**4,250**

NOTE 32 – FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

(c) Other assets and liabilities:

The following table summarizes the fair values of the main financial assets and liabilities that are not recorded at their fair value in the Statement of Financial Position. The values shown in this note are not attempt to estimate the value of the Cooperative's income-generating assets; therefore, does not represent the value of Coopeuch as a going concern. The estimated fair value is as follows:

	As of December 31, 2018		As of December 31, 2017	
	Book Value	Fair Value	Book Value	Fair Value
	MCh$	MCh$	MCh$	MCh$
Assets				
Cash and deposits in banks	56,957	56,957	35,113	35,113
Credits and accounts receivable from clients				
Consumer loans	1,007,344	1,313,423	911,804	1,220,500
Commercial loans	26,071	33,643	24,965	33,417
Mortgage loans	380,622	533,413	369,718	515,660
Subtotal	1,414,037	1,880,479	1,306,487	1,769,577
Total Financial Assets	**1,470,994**	**1,937,436**	**1,341,600**	**1,804,690**
Liabilities				
Deposits and other demand obligations	21,582	21,582	19,799	19,799
Deposits and other term borrowings	666,127	666,656	608,891	609,765
Borrowings from Financial Institutions	10,018	12,261	9,784	10,448
Debt instruments issued	380,108	439,555	328,458	383,130
Total Financial Liabilities	**1,077,835**	**1,140,054**	**966,932**	**1,023,142**

For these Other Financial Assets and Liabilities at fair value is estimated, even when they are not managed based on said value. This includes assets and liabilities such as borrowings, deposits and other term borrowings, and debt instruments issued with different maturity and characteristics.

The following is a description of the methods used to estimate the fair value of other financial assets and liabilities.

i. Short-term assets and liabilities

   For assets and liabilities with short-term maturity (less than 3 months), it is assumed that the book values approximate to their fair value. This assumption applies to cash and deposits in banks and to deposits and other demand obligations.

ii. Credit and accounts receivable from customers

   The fair value is determined using the discounted cash flow model and discount rates generated internally, considering the term and relevant currency. Credits and accounts receivable from customers are shown net of the provision for credit risk or impairment.

iii. Deposits and other term deposits.

   The fair value of term deposits has been estimated on the basis of discounted cash flows, based on interest rate structures adjusted from transactions observed at the valuation date.

NOTE 32 – FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

iv. Loans obtained from financial institutions

The fair value of the Loans obtained from financial institutions has been determined using discounted cash flow models, based on the curve of the relevant interest rate for the remaining term of the instrument until maturity.

v. Debt instruments issued

The fair value of the debt instruments issued has been determined using discounted cash flow models, based on the curve of the relevant interest rate for the remaining term of the instrument until maturity.

NOTE 33 – RISK MANAGEMENT

In order to manage its risks, the Cooperative has a comprehensive system that ensures that management is present throughout the organization, ensuring that significant risks are identified, evaluated and managed. The risks can be of different types: credit, market, liquidity, operational, legal and reputation.

With a comprehensive risk management, which uses tools for the management of events that create volatility in results, business management is improved, making decisions that reduce losses and create value for the business.

Coopeuch has an internal control environment that includes risk policies, methodologies, procedures, limits, alerts and an organizational structure with different roles within the organization, with risk management being a fundamental part of the Cooperative.

(a) Organizational Structure

i. Board of Directors

The Board of Directors is responsible for ensuring that Coopeuch operates in accordance with good practices for risk control, according to the level and complexity of its operations. For this purpose, the Board of Directors must evaluate and sanction the different risk and business continuity policies, structure of limits and classification models, and must be informed periodically of the Cooperative's risk management.

ii. Risk Committee

In terms of credit risk, it is responsible for defining the criteria to determine the debtors that will be subject to individual classification, to approve the definitions and the classification models to be used, ensuring that the appropriate processes for the determination of credit are developed and systematically apply the provisions associated with the individual and group classification and at the end of each fiscal year, examine the adequacy of the level of provisions.

With regard to operational risk, this committee's mission is to identify, prioritize and evaluate strategies to mitigate the main events of operational risk that are reported. It is responsible for ensuring compliance with policies, methodologies and procedures related to operational risk, information security and business continuity.

NOTE 33 – RISK MANAGEMENT, continued

iii. CAPA Committee

With regard to financial risk, it is responsible for reviewing and recommending the risk policy of liquidity, counterparty and market risks, on an annual basis, whether they are on or off the balance sheet, establishing their respective limits and objectives for the management. It has also to evaluate and follow up the hedging strategies and the use of financial investment instruments for the purpose of adjusting the sensitivity of margin and economic value. It has also to define and approve the valuation methodologies of the Cooperative's financial assets and liabilities measured at fair value. In addition, it has to monitor relevant political and macroeconomic scenarios, both locally and internationally.

iv. Operational and Technological Risk Committees

In terms of operational and technological risk, it is responsible for annually reviewing and recommending operational, technological, strategic and reputational risk policies. It analyzes all issues related to operational risk, technological risk with emphasis on cybersecurity, strategic risk and reputational risk of Coopeuch, with responsibility for the operational continuity and recovery of activity. It should validate the measures and policies proposed by the management that allow its adequate management to maintain it in limited levels, with a prudential administration of these, according to the structure and size of the Cooperative.

v. Portfolio Classification Committees

The Portfolio Classification Committees are eminently technical bodies, whose mission is to maintain the individual loan portfolio permanently and adequately evaluated, according to the evaluation criteria defined for it. Coopeuch has established two Classification Committees, which operate in different instances of the credit process, differentiating the monitoring from the individual portfolio.

vi. Operational and Technological Risk Executive Committee

It is responsible for reviewing and proposing to the operational and technological risk committee the approval of measures relating to operational risk management, information security, continuity of operations and business and cybersecurity. Its focus will be to define the guidelines, follow-ups and prioritization of the main strategies to mitigate risk events in the defined areas. In addition, it must ensure for compliance with Policies and Regulations related to information security, business continuity and operational risk approved by the Cooperative's Senior Management.

vii. General Management

In charge of ensuring the implementation of the risk policies approved by the Board of Directors. On the other hand, it should support initiatives so that the entire organization is informed about the main guidelines of risk management, through the channels provided by the Cooperative.

viii. Risk Division

This Division, through the corresponding unit, analyzes the exposures to the different types of credit risk and monitors compliance with the exposure limits. It is responsible for the execution of the individual and group evaluation process of the total loan portfolio, in order to establish in a timely manner the necessary and sufficient provisions to hedge the losses associated with the payment behavior of its debtors.

NOTE 33 – RISK MANAGEMENT, continued

Together with this, it is responsible for supporting and alerting the organization, through its respective committees, about situations related to the management of balance sheets, which entail levels of liquidity risk, interest rate and inflation, together with defining the valuation methodologies of financial assets and liabilities measured at fair value held by the cooperative.

In addition, it must ensure full compliance with operational risk policies, ensuring that operational risk management must be an integral part of the design, execution and control of any process, project, product and service developed by the cooperative.

(b) Credit Risk

Credit risk is defined as the probability that an entity incurs losses as a result of its debtors failing to comply timely or imperfectly comply with the terms agreed in the credit contracts. Under this concept, credit risk management is based on different stages of identification, quantification, monitoring and control.

The loan portfolio, given the type of debtor and operation, is evaluated individually or in groups. The group evaluation of the loans is applied when a large number of low-value individual operations are examined together, and this type of evaluation may include consumer loans, mortgage loans for housing and commercial loans entered into with small companies. The individual evaluation of the partners is necessary when dealing with companies or persons that, due to their size or level of exposure in the Coopeuch portfolio, are required to be known and analyzed in detail, especially concerning their capacity to comply with the credit obligations.

(i) Group Classification

In order to evaluate the group's credit portfolio, Coopeuch uses internal evaluation methods appropriate to the portfolio type. These internal methods of evaluation, models of expected loss, were approved by the Board of Directors, being recorded in the minutes of the respective meeting session. The group evaluations, as well as the criteria to apply them, must be consistent with those carried out for the granting of the credits.

The following table shows the exposure to credit risk of the group portfolio, by type of credit.

	As of December 31, 2018		As of December 31, 2017	
	DEBT	PROVISION	DEBT	PROVISION
	MCh$	MCh$	MCh$	MCh$
Classification				
Consumer	1,063,508	56,164	971,039	59,235
Commercial	18,509	662	16,581	1,033
Mortgage	386,128	5,506	376,097	6,379
Total	**1,468,145**	**62,332**	**1,363,717**	**66,647**

(ii) Individual Classification

Coopeuch individually classifies all commercial debtors who, due to their level of debt or their size -defined through the volume of annual sales- deserve to be known and analyzed in detail. On this basis, the commercial loans granted to natural or legal persons and the general-purpose mortgage loans for commercial destination, whose exposure amount is relevant, are classified individually.

NOTE 33 – RISK MANAGEMENT, continued

The regulatory framework related to the classification of loans comes from the Superintendency of Banks and Financial Institutions, specifically in the Compendium of Accounting Standards for Cooperatives, in its G1 chapter, which establishes that the loans portfolio will be permanently evaluated in order to constitute opportunely the necessary and sufficient provisions to cover the losses due to the eventual irrecoverability of the credits granted.

The following table shows the exposure to the credit risk of the individual portfolio, by type of categories.

	As of December 31, 2018		As of December 31, 2017	
Classification	DEBT MCh$	PROVISIÓN MCh$	DEBT MCh$	PROVISIÓN MCh$
A1	-	-	-	-
A2	969	2	1,569	3
A3	2,640	70	5,263	140
B	2,089	154	733	54
C1	507	10	643	13
C2	1,639	164	823	82
C3	381	95	67	17
C4	542	217	407	162
D1	290	188	690	449
D2	675	608	1,423	1,281
Total	**9,732**	**1,508**	**11,618**	**2,201**

iii) Maximum exposure to credit risk

The maximum exposure to credit risk varies depending on the component of the balance sheet, and then the net exposure is shown by category.

As of December 31, 2018	Maximum Exposure MCh$	Provision MCh$	Net exposure after Provisions MCh$	Associated Collateral MCh$	Net Exposure MCh$
Balances maintained in current account	42,995	-	42,995	-	42,995
Credits and accounts receivable from customers	1,477,877	(63,840)	1,414,037	(573,277)	840,760
Held-to-maturity investments	-	-	-	-	-
Total	**1,520,872**	**(63,840)**	**1,457,032**	**(573,277)**	**883,755**

As of December 31, 2017	Maximum Exposure MCh$	Provision MCh$	Net exposure after Provisions MCh$	Associated Collateral MCh$	Net Exposure MCh$
Balances maintained in current account	32,877	-	32,877	-	32,877
Credits and accounts receivable from customers	1,375,335	(68,848)	1,306,487	(593,710)	712,777
Held-to-maturity investments	-	-	-	-	-
Total	**1,408,212**	**(68,848)**	**1,339,364**	**(593,710)**	**745,654**

(c) Financial Risk

The Financial Risk frames the management of the potential losses that the Cooperative faces due to lack of liquidity and adverse movements in market prices. Under this concept, the analysis is subdivided into Liquidity Risk and Market Risk.

NOTE 33 – RISK MANAGEMENT, continued

(i) Liquidity Risk

Liquidity, understood as the ability to obtain funds from assets to comply with obligations in a timely manner at a reasonable cost, is fundamental to the feasibility of a financial institution.

The Cooperative controls the Liquidity Risk through regulatory metrics and internal metrics. Within the regulatory controls, we highlight the financial flows according to residual terms (C57) measured with the 30 and 90 day term mismatch metrics in local and foreign currency.

To complement the regulatory vision, we highlight the Liquidity Coverage Ratio (RCL) metric, which is characterized for guaranteeing an adequate fund of high quality liquid assets (ALAC) and free of charges, that is, that can easily and immediately become cash in private markets, in order to cover the 30-day liquidity needs, under a scenario of systemic tension.

Asset and liability maturity (C57)

All the cooperatives supervised by the Superintendency of Banks and Financial Institutions (SBIF) must send a pool of information, whose frequency and delivery period have been previously defined, to the supervising institution. This information includes Transaction Flows according to residual terms (C57), where expenses flows (disbursements) and revenues (flows in favor, including the one available to date) are reported, which allow to record the mismatches.

As of December 31, 2018

Demand Flows - Liquidity	Up to 1 Month MCh$	1 - 3 Months MCh$	3 - 12 Months MCh$	6 - 12 Months MCh$	+ 1 year MCh$	Total MCh$
Total Asset Flows	**270,203**	**79,412**	**116,421**	**220,601**	**1,779,274**	**2,465,911**
Available	56,957	-	-	-	-	56,957
Credits	66,816	79,406	116,322	219,563	1,652,964	2,135,071
Financial Investment	133,814	6	-	6	789	134,615
Other Assets	12,616	-	99	1,032	125,521	139,268
Total Liability Flows	**267,192**	**74,459**	**79,654**	**21,340**	**976,192**	**1,418,837**
Deposits	257,204	71,510	7,178	2,437	371,303	709,632
Demand Obligations	21,030	-	-	-	-	21,030
Savings Account	50	-	-	-	371,144	371,194
Term Deposit	236,124	71,510	7,178	2,437	159	317,408
Corporate Bonds	2,114	1,702	6,199	10,892	460,143	481,050
Obligations with Banks	592	218	2,309	212	7,440	10,771
Other liabilities	7,282	1,029	63,968	7,799	137,306	217,384

NOTE 33 – RISK MANAGEMENT, continued

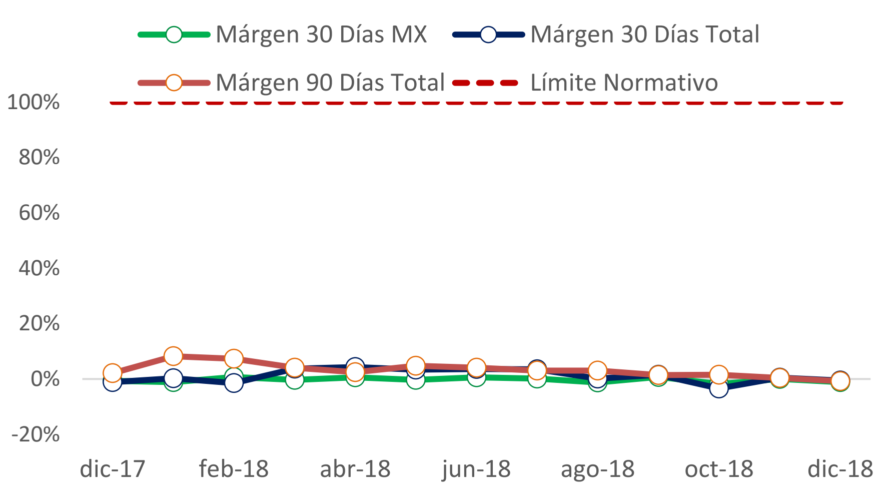
As of December 31, 2017

Demand Flows - Liquidity	Up to 1 Month MCh$	1 - 3 Months MCh$	3 - 12 Months MCh$	6 - 12 Months MCh$	+ 1 year MCh$	Total MCh$
Total Asset Flows	**224,114**	**79,896**	**107,601**	**204,365**	**1,661,488**	**2,277,464**
Available	35,113	-	-	-	-	35,113
Credits	61,327	73,631	107,601	203,525	1,577,605	2,023,689
Financial Investment	119,116	-	-	-	-	119,116
Other Assets	8,558	6,265	-	840	83,883	99,546
Total Liability Flows	**218,158**	**105,285**	**73,346**	**17,259**	**856,191**	**1,270,239**
Deposits	211,980	97,649	7,888	1,741	330,404	649,662
Demand Obligations	19,018	-	-	-	-	19,018
Savings Account	59	-	-	-	330,397	330,456
Term Deposit	192,903	97,649	7,888	1,741	7	300,188
Corporate Bonds	2,103	1,395	5,991	10,269	411,970	431,728
Obligations with Banks	-	-	2,061	194	7,780	10,035
Other liabilities	4,075	6,241	57,406	5,055	106,037	178,814

30- and 90-day asset and liability mismatches

In order to shorten the term mismatches of assets and liabilities in national and foreign currency, cooperatives must comply, at all times, with the following relationships:

- The sum of the liabilities whose residual term of maturity is equal to or less than 30 days may not exceed the sum of the assets whose residual term of maturity is equal to or less than 30 days more than one time the effective equity.
- The sum of the liabilities whose residual term of maturity is equal to or less than 90 days may not exceed the sum of the assets whose residual term of maturity is equal to or less than 90 days in more than two times the effective equity.



NOTE 33 – RISK MANAGEMENT, continued

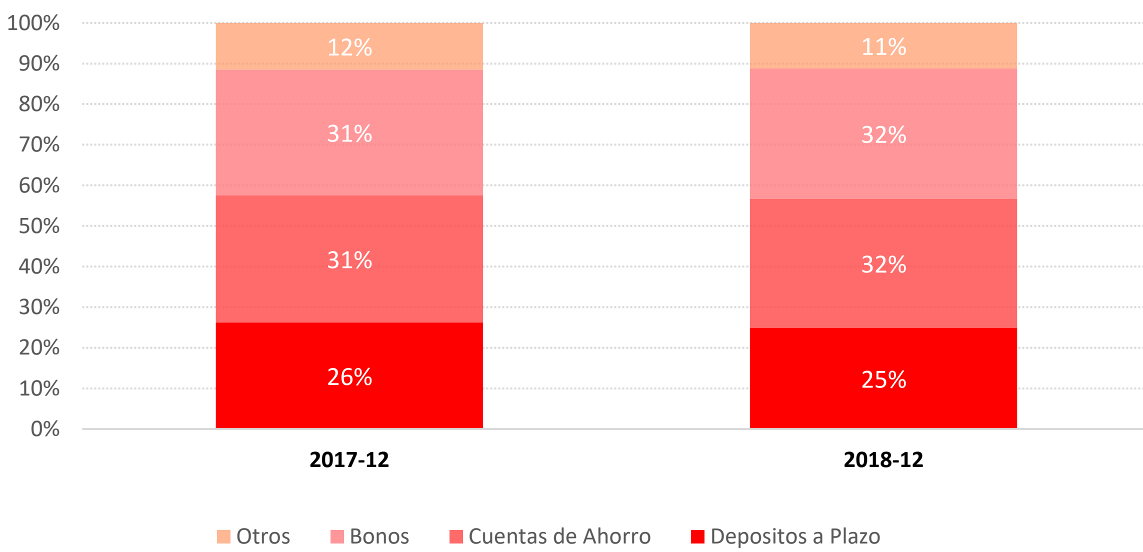
The short-term mismatch rates remained limited, maintaining slack with the regulatory limits of once the basic capital - measured at 30 days - and twice the capital - for the measurement at 90 days.

Total 30- and 90-day mismatch (% on effective capital)

	As of December 31, 2018				As of December 31, 2017			
	Average	Maximum	Minimum	Close	Average	Maximum	Minimum	Close
30-day margin	1.29%	4.31%	-3.40%	-0.59%	-4.64%	-0.39%	-18.50%	-1.11%

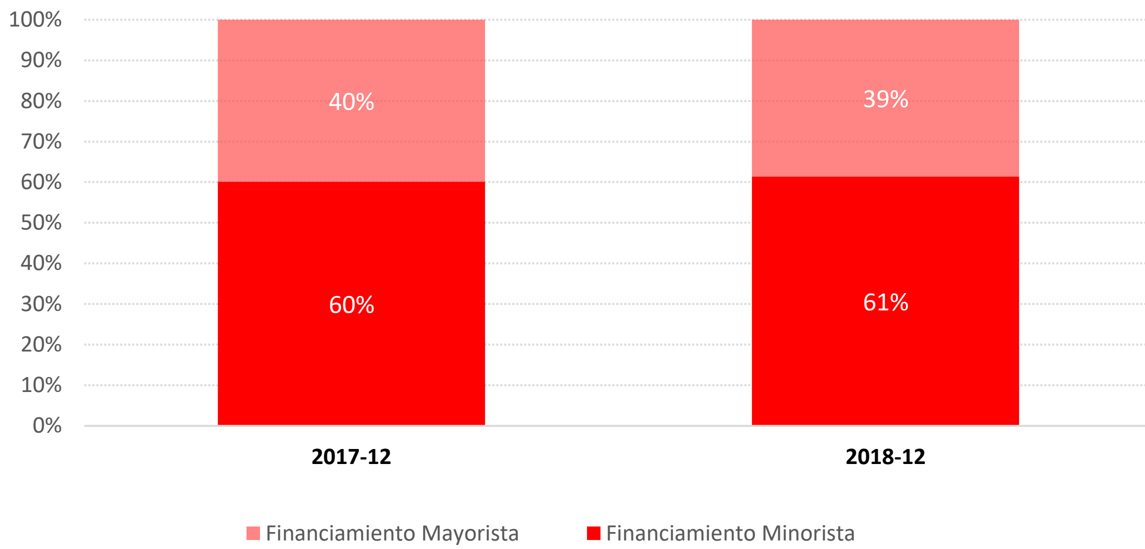
	As of December 31, 2018				As of December 31, 2017			
	Average	Maximum	Minimum	Close	Average	Maximum	Minimum	Close
90-day margin	3.28%	8.20%	-0.78%	-0.78%	7.17%	12.24%	0.59%	2.08%

Liquidity sources by instrument



NOTE 33 – RISK MANAGEMENT, continued

Financing sources by counterparty



(ii) Market Risk

This risk is caused by adverse movements in the structure of interest rates and inflation, and how this affects the Cooperative's net income. Interest and inflation risk management is inherent to the financial brokerage business, as its business strategy requires lending money, acquiring financial instruments, and receiving deposits from the public under various terms, currencies and interest rates.

Consequently, movements in interest and inflation rates can materially affect the profitability of a financial institution, as well as its solvency. Specifically, adverse movements in interest and inflation rates can negatively affect the net interest margin, the financial value of the cooperative, and any other income indexed to these financial variables.

From a regulatory point of view, the Cooperative controls these rate risks using cash flows associated with interest rate matches (C56), the sensitivity of asset and liability transactions to interest rate variations, and its limit of 8% over regulatory capital.

NOTE 33 – RISK MANAGEMENT, continued

Cash flows associated with interest rate matches (C56)

All cooperatives monitored by the SBIF must submit information to this supervisory institution, and comply with previously agreed frequencies and deadlines. This information contains cash flows associated with interest rate matches (C56), where cash flows from asset and liability transactions are reported, detailing payments of both capital and interest over the periods pre-defined in the standard.

As of December 31, 2018

Cash flow rates	0 - 1 month MCh$	1 - 3 months MCh$	3 - 6 months MCh$	6 - 12 months MCh$	1 – 3 years MCh$	3 – 5 years MCh$	5 – 10 years MCh$	Over 10 years MCh$	Total MCh$
Total receipts	**142,392**	**91,990**	**125,488**	**231,736**	**926,644**	**518,554**	**362,586**	**280,326**	**2,679,716**
Available	56,957	-	-	-	-	-	-	-	56,957
Loans	66,377	79,680	116,486	219,563	718,116	412,288	242,235	280,326	2,135,071
Financial investments	4,328	10,608	2,757	1,235	79,153	40,400	-	-	138,481
Fixed Income	-	10,608	2,757	1,235	79,153	40,400	-	-	134,153
Financial brokerage	4,300	-	-	-	-	-	-	-	4,300
Other financial investments	28	-	-	-	-	-	-	-	28
Other assets	14,730	1,702	6,245	10,938	129,375	65,866	120,351	-	349,207
Derivatives	5,585	1,702	6,245	10,938	129,375	65,866	120,351	-	340,062
Others	9,145	-	-	-	-	-	-	-	9,145
Total payments	**265,226**	**78,796**	**85,838**	**31,465**	**661,503**	**140,570**	**254,108**	**139,399**	**1,656,905**
Deposits	254,574	74,141	7,178	2,437	371,322	-	-	-	709,652
Demand deposits	42,298	-	-	-	371,163	-	-	-	413,461
Deposits	212,276	74,141	7,178	2,437	159	-	-	-	296,191
Corporate Bonds	2,114	1,702	6,199	10,892	129,190	65,675	125,860	139,399	481,031
Loans from banks	592	218	2,309	212	7,416	19	6	-	10,772
Other liabilities	7,946	2,735	70,152	17,924	153,575	74,876	128,242	-	455,450
Derivatives	5,953	2,735	8,159	17,924	142,530	74,876	128,242	-	380,419
Others	1,993	-	61,993	-	11,045	-	-	-	75,031

NOTE 33 – RISK MANAGEMENT (continued)

As of December 31, 2017

Cash flow rates	0 - 1 month MCh$	1 - 3 months MCh$	3 - 6 months MCh$	6 - 12 months MCh$	1 – 3 years MCh$	3 – 5 years MCh$	5 – 10 years MCh$	Over 10 years MCh$	Total MCh$
Total receipts	**124,995**	**82,343**	**113,592**	**216,212**	**708,814**	**585,885**	**255,686**	**284,377**	**2,371,904**
Available	35,113	-	-	-	-	-	-	-	35,113
Loans	61,327	73,631	107,601	203,525	665,715	391,143	236,370	284,377	2,023,689
Financial investments	13,222	1,058	-	2,418	4,233	84,403	19,316	-	124,650
Fixed Income	8,194	1,058	-	2,418	4,233	84,403	19,316	-	119,622
Financial brokerage	5,000	-	-	-	-	-	-	-	5,000
Other financial investments	28	-	-	-	-	-	-	-	28
Other assets	15,333	7,654	5,991	10,269	38,866	110,339	-	-	188,452
Derivatives	4,001	7,654	5,991	10,269	38,866	110,339	-	-	177,120
Others	11,332	-	-	-	-	-	-	-	11,332
Total payments	**220,818**	**106,925**	**79,399**	**26,913**	**435,646**	**234,701**	**99,925**	**157,106**	**1,361,433**
Deposits	211,981	97,650	7,888	1,741	330,432	-	-	-	649,692
Demand deposits	39,267	-	-	-	330,425	-	-	-	369,692
Retail Deposits	128,373	55,791	7,557	1,741	7	-	-	-	193,469
Institutional Deposits	44,341	41,859	331	-	-	-	-	-	86,531
Corporate Bonds	2,103	1,395	5,991	10,269	38,866	116,057	99,912	157,106	431,699
Loans from banks	555	240	2,061	213	7,807	20	13	-	10,909
Other liabilities	6,179	7,640	63,459	14,690	58,541	118,624	-	-	269,133
Derivatives	3,964	7,640	6,623	14,690	48,660	118,624	-	-	200,201
Others	2,215	-	56,836	-	9,881	-	-	-	68,932

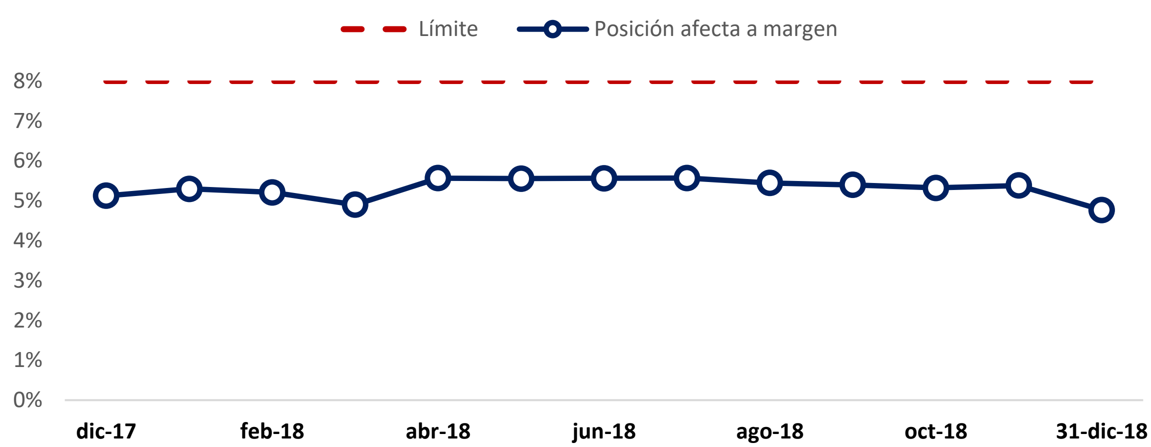
NOTE 33 – RISK MANAGEMENT, continued

The main positions in available for sale investments by type of issuer and currency are the following:

	As of December 31, 2018			As of December 31, 2017		
	CLP	UF	USD	CLP	UF	USD
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Sovereign Bonds	-	118,209	-	-	114,858	-
Corporate Bonds	-	-	-	-	-	-
Financial Institution Bonds	-	-	-	-	-	-
Mortgage Finance Bonds	-	-	-	-	-	-
Term Deposits	-	-	-	-	-	-
Total	**-**	**118,209**	**-**	**-**	**114,858**	**-**

Sensitivity of lending and deposits transactions to variations in the interest rate

The market gaps of interest rates on assets and liabilities in domestic and foreign currency shall not exceed, as a whole, the amount equivalent to 8% of the effective equity of the Cooperative. Sensitivity factors are applied to C56 flows, multiplied by an assumed change in the structure of interest rates to each resulting net flow set by time span, replicating the exercise for each of the currencies separately, for fixed and floating rates, according to the regulatory parameters.



In order to complement the regulatory vision, it is considered that the unexpected movements of interest rates in different terms or changes of perspectives associated with trends tend to generate adverse effects on both the profits of the Cooperative and on its economic value when these are not planned. This exposure is measured and monitored in:

a) The short-term impact on the profit of Cooperative (typically 1 year)
b) The long-term impact on the present value of future cash flows

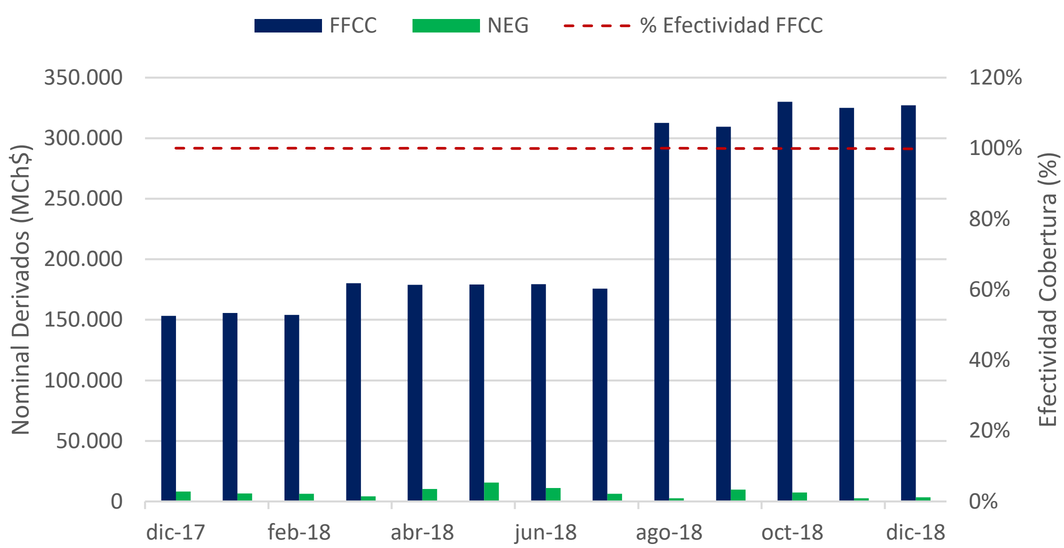
This view allows the use of complementary methodologies to evaluate the risk of interest rates, which concentrate the best practices and references associated with the regulatory recommendations.

NOTE 33 – RISK MANAGEMENT, continued

(iii) Derivative Instruments:

The Cooperative has MCh$ 2,900 and MCh$ (4,032), corresponding to the fair value of derivative instruments as of December 31, 2018 and 2017, respectively. Derivative instruments are classified in two groups according to their accounting treatment: (1) trading instruments, (2) instruments with special treatment of accounting hedges. The Cooperative uses trading instruments to perform financial *hedge* of certain risks, and accounting hedges in order to reduce fluctuations in certain cash flows.

At the end of December 2018 and 2017, the total notional of trading derivatives amounted to MCh$ 3,471 and MCh$ 8,157, respectively, while the notional of cash flow hedges amounted to MCh$ 327,045 as of December 31, 2018 (MCh$ 155,828 as of December 31, 2017).



(iv) <u>Counterparty Risk</u>

The Cooperative manages its counterparty risk by calculating credit risk provisions *Credit Value Adjustment* (CVA). The objective is to determine the expected counterparty risk losses in OTC derivatives contracts. The CVA for a derivative is defined as the difference between the market value free of credit risk and the value of the derivative with potential counterparty default. The CVA provision by segment as of December 31, 2018 and 2017 is as follows.

Segment	Dec-18 MCh$	Dec-17 MCh$	Change MCh$
National banks	4	1	3
International banks	9	4	5
Total	**13**	**5**	**8**

NOTE 33 – RISK MANAGEMENT (continued)

Fair value

The financial risk department is responsible for defining the valuation methods for assets and liabilities measured at fair value, while the financial transactions department is responsible for executing them. The fundamental principle when measuring fair value is to determine the initial price of an asset or liability in a normal transaction in a representative market. Not only accounting information depends on this assessment; risk indicators are also a function of these prices. Therefore, the implied volatility in any valuation model is also very important.

Quoted or observable prices of identical assets or liabilities are used, provided they are available, in accordance with international accounting regulations. These are known as Level 1 inputs. In the absence of identical assets or liabilities, the valuation is based on observable prices. Typically, interpolations of derivative instruments are classified in this group. These are known as Level 2 inputs.

Finally, when Level 1 and 2 inputs are not available, valuations are based on inputs that are not directly observable in the market. These are known as Level 3 inputs. A brief explanation follows.

Positions in foreign currency, Chilean Central Bank bonds, futures contracts and other instruments traded on stock exchanges have highly liquid markets where their quoted prices for identical instruments are normally observable. These instruments are classified in Level 1.

Despite liquidity, some markets require *brokers* to match supply with demand and close transactions. Normally derivative instruments traded *over-the-counter* are included in this segment. Quotes from various *brokers* are received, which guarantees the availability of market prices or *inputs* required for valuation purposes. Derivative instruments include currency and interest rate forward contracts, *interest rate swaps* and *cross-currency swaps*. As is usual for periods other than those quoted, curve construction and interpolation techniques are used, which are standard in the markets. All these instruments are classified in Level 2.

Finally, all those instruments whose prices or market factors are not directly observable are classified in Level 3.

(d) Operational Risk

Operational Risk is defined as the risk of loss resulting from a lack of adequacy or failure of processes, people and internal systems, or due to external events.

For Coopeuch, this risk is manageable and is related to the volume and complexity of the operations that are carried out which can generate errors, deficiencies or frauds that mean a decrease in equity, and therefore, lower value of the company for its partners. As the operational risk is identified, the cause can be located and studied to know the mitigation measures necessary to reduce those risk factors, thus avoiding a potential loss. It is important to mention that the ideal is not always to keep the risk at the lowest level but rather to find the balance point between the level of risk that is going to be assumed and the cost involved in its mitigation.

The cooperative has specialists in operational risk in the areas of processes, information security and technological risk, business continuity and quantification of risk in order to avoid potential losses.

(i) Operational Risk Management

Operational risk management is understood as the continuous process in the identification, evaluation, prioritization, treatment and monitoring of factors or events that can be detected in the stages of Design, Execution and Control of Processes, Projects, Products and Services of the Cooperative. The system for operational risk management includes methodologies, procedures and structures that Coopeuch has for its proper management.

NOTE 33 – RISK MANAGEMENT (continued)

Coopeuch has internal methodologies and procedures allowing it to record and measure operational risk, identifying (qualitative and quantitative) the levels of inherent and residual risk, through the measurement of the effectiveness of the controls or respective group of controls.

Evaluation criteria are established based on the best practices and the operational reality of Coopeuch. These are defined in terms of the economic impact of the materiality of a loss event and the probability of its occurrence.

(ii) Information Security

According to Coopeuch's strategic definition, the best practices of the industry in security matters are adopted constituting the basis of the entire information security management model.

Within the basic conditions of the aforementioned standard, a set of security regulations is implemented to ensure the implementation of good security practices in the different Coopeuch sites and work areas.

Senior Management and the Management Team are committed to manage information security as a continuous process over time keeping a management system based on good international security practices and aimed at homogenizing internal security criteria

(iii) Business Continuity

Coopeuch has a Business Continuity Plan, formally written, disseminated, tested and updated, which includes the main procedures for the recovery of critical processes and services with regard to major contingencies or disasters.

For the Risk assessment, the processes are classified through the process classification methodology, which seeks to classify and prioritize the processes of the Cooperative according to their impact and level of exposure. Known disaster scenarios that could occur are identified in order to consider specific procedures for them and a risk analysis and business impact analysis is prepared, including an assessment of the possible events described. The risk assessment should determine what the critical functions are and a criticality weighting, including maximum tolerable downtime for each function.

Once the risk assessment has been completed throughout the organization, an analysis is made about the impact on the business that requires the maximum time length that the Cooperative can tolerate without critical technology services, the term in which the Operational Committee has to decide on the alternative processing strategy, and on the setup of the minimum acceptable systems for the recovery of the computer systems of the production environment.

Finally, the recovery strategy is defined by evaluating the possible alternatives and adopting the most appropriate one based on its price / performance for the specific processing in each disaster scenario considered, and generic practices for the rest of the cases.

NOTE 34 – FINANCIAL DERIVATIVES CONTRACTS AND ACCOUNTING HEDGES

a) To manage its financial risks, the Cooperative maintains the following portfolio of derivative instruments:

As of December 31, 2018

	Notional Amount		Fair Value		
	Asset	Liability	Asset	Liability	Net
Derivatives held for trading	MCh$	MCh$	MCh$	MCh$	MCh$
Forwards	3,471	3,463	8	-	8
Swaps	-	-	-	-	-
Subtotal	**3,471**	**3,463**	**8**	**-**	**8**
Derivatives at fair value hedge					
Forwards	-	-	-	-	-
Swaps	-	-	-	-	-
Subtotal	-	-	-	-	-
Derivatives of cash flow hedge					
Forwards	-	-	-	-	-
Swaps	327,045	319,584	9,397	6,505	2,892
Subtotal	**327,045**	**319,584**	**9,397**	**6,505**	**2,892**
Total	**330,516**	**323,047**	**9,405**	**6,505**	**2,900**

As of December 31, 2017

	Notional Amount		Fair Value		
	Asset	Liability	Asset	Asset	Liability
Derivatives held for trading	MCh$	MCh$	MCh$	MCh$	MCh$
Forwards	8,157	8,001	152	-	152
Swaps	-	-	-	-	-
Subtotal	**8,157**	**8,001**	**152**	**-**	**152**
Derivatives at fair value hedge					
Forwards	-	-	-	-	-
Swaps	-	-	-	-	-
Subtotal	-	-	-	-	-
Derivatives of cash flow hedge					
Forwards	-	-	-	-	-
Swaps	155,828	160,215	888	5,072	(4,184)
Subtotal	**155,828**	**160,215**	**888**	**5,072**	**(4,184)**
Total	**163,985**	**168,216**	**1,040**	**5,072**	**(4,032)**

NOTE 34 – FINANCIAL DERIVATIVES CONTRACTS AND ACCOUNTING HEDGES, continued

b) The maturities of the notional values of these derivative instruments are composed as follows:

As of December 31, 2018

	Assets maturity				
	Less than 3 months MCh$	Between 3 months and 1 year MCh$	More than 1 year MCh$	Total MCh$	Fair Value MCh$
Derivatives held for trading	3,471	-	-	3,471	8
Derivatives of cash flow hedge	3,561	15,703	307,781	327,045	9,398
Total Assets	**7,032**	**15,703**	**307,781**	**330,516**	**9,406**

	Liabilities maturity				
	Less than 3 months MCh$	Between 3 months and 1 year MCh$	More than 1 year MCh$	Total MCh$	Fair Value MCh$
Derivatives held for trading	3,463	-	-	3,463	-
Derivatives of cash flow hedge	3,512	15,523	300,549	319,584	6,505
Total Liabilities	**6,975**	**15,523**	**300,549**	**323,047**	**6,505**

As of December 31, 2017

	Assets maturity				
	Less than 3 months MCh$	Between 3 months and 1 year MCh$	More than 1 year MCh$	Total MCh$	Fair Value MCh$
Derivatives held for trading	8,157	-	-	8,157	152
Derivatives of cash flow hedge	3,275	12,977	139,576	155,828	888
Total Assets	**11,432**	**12,977**	**139,576**	**163,985**	**1,040**

	Liabilities maturity				
	Less than 3 months MCh$	Between 3 months and 1 year MCh$	More than 1 year MCh$	Total MCh$	Fair Value MCh$
Derivatives held for trading	8,001	-	-	8,001	-
Derivatives of cash flow hedge	3,211	12,670	144,334	160,215	5,072
Total Liabilities	**11,212**	**12,670**	**144,334**	**168,216**	**5,072**

NOTE 34 – FINANCIAL DERIVATIVES CONTRACTS AND ACCOUNTING HEDGES, continued

Types of derivatives for hedge

The Cooperative uses accounting hedges for managing the risk of fair value and cash flow.

i. Cash flow Hedges:

The Cooperative uses as hedging instruments of cash flow; Cross Currency Swaps, Rate Swaps in UF ("Unidad de Fomento") and Forwards (inflation and exchange rate) in order to ensure the flows of both assets and liabilities exposed to changes due to variations in interest rates, exchange rate and/or inflation.

	As of December 31, 2018		As of December 31, 2017	
	Asset	Liability	Asset	Liability
	MCh$	MCh$	MCh$	MCh$
Hedged item				
MN/MX Bond	-	327,045	-	155,828
Total	-	327,045	-	155,828
Hedging instrument				
Forwards	-	-	-	-
Swaps	327,045	-	155,828	-
Total	327,045	-	155,828	-

The following are the terms in which the cash flow hedges flows are expected to take place:

	Band in which flows are expected to happen				
	As of December 31, 2018				
	Up to 1Y	Between 1Y and 5Y	Between 5Y and 10Y	More than 10Y	Total
	MCh$	MCh$	MCh$	MCh$	MCh$
Hedged item					
Inflows	-	-	-	-	-
Outflows	(20,928)	(194,864)	(120,351)	-	(336,123)
Net cash flows	**(20,908)**	**(194,864)**	**(120,351)**	**-**	**(336,123)**
Hedging instruments					
Inflows	20,928	194,864	120,351	-	336,123
Outflows	-	-	-	-	-
Net cash flows	20,928	194,864	120,351	-	336,123

	Band in which flows are expected to happen				
	As of December 31, 2017				
	Up to 1Y	Between 1Y and 5Y	Between 5Y and 10Y	More than 10Y	Total
	MCh$	MCh$	MCh$	MCh$	MCh$
Hedged item					
Inflows	-	-	-	-	-
Outflows	(19,758)	(149,205)	-	-	(168,963)
Net cash flows	**(19,758)**	**(149,205)**	**-**	**-**	**(168,963)**
Hedging instruments					
Inflows	19,758	149,205	-	-	168,963
Outflows	-	-	-	-	-
Net cash flows	19,758	149,205	-	-	168,963

NOTE 35 – MATURITY OF ASSETS AND LIABILITIES

a) Maturity of Financial Assets

The main financial assets are shown as follows and they are grouped according to their remaining terms, including accrued interest until December 31, 2018 and 2017:

As of December 31, 2018

Assets	Demand	Up to 29 days	Between 30 and 89 days	Between 90 and 180 days	Between 181 and 360 days	More than 1 year and up to 3 years	More than 3 years and up to 5 years	More than 5 years and up to 10 years	More than 10 years	Demand	Up to 29 days	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh $	MCh$	MCh$	MCh$	MCh$
Cash and bank deposits	56,957	-	-	-	-	-	-	-	-	-	-	56,957
Loans and accounts receivable from customers (*)	-	67,275	55,143	80,258	150,757	491,669	280,728	158,664	84,507	54,165	39,937	1,463,103
Contracts of financial derivatives	-	49	33	141	470	6,267	755	1,170	-	-	-	8,885
Instruments held for trading	-	16,359	-	-	-	-	-	-	-	-	-	16,359
Available-for-sale instruments	-	146	9,458	2,566	1,085	69,488	35,466	-	-	-	-	118,209
Held-to-maturity investment instruments	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	**56,957**	**83,829**	**64,634**	**82,965**	**152,312**	**567,424**	**316,949**	**159,834**	**84,507**	**54,165**	**39,937**	**1,663,513**

(*) It considers loan balances before risk provisions (see note 8 a), and excludes balances corresponding to overdue loans (MCh$ 11,963) and commissions (MCh$ 2,811).

As of December 31, 2017

Assets	Demand	Up to 29 days	Between 30 and 89 days	Between 90 and 180 days	Between 181 and 360 days	More than 1 year and up to 3 years	More than 3 years and up to 5 years	More than 5 years and up to 10 years	More than 10 years	Demand	Up to 29 days	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Cash and bank deposits	35,113	-	-	-	-	-	-	-	-	-	-	35,113
Loans and accounts receivable from customers (*)	-	56,734	39,786	59,760	117,999	428,456	288,039	160,408	89,226	64,169	56,985	1,361,562
Contracts of financial derivatives	-	139	159	251	213	152	126	-	-	-	-	1,040
Instruments held for trading	-	5,000	-	-	-	-	-	-	-	-	-	5,000
Available-for-sale instruments	-	8,336	680	-	1,825	1,930	82,968	19,119	-	-	-	114,858
Held-to-maturity investment instruments	-	-	-	-	-	-	-	-	-	-	-	-
Assets	**35,113**	**70,209**	**40,625**	**60,011**	**120,037**	**430,538**	**371,133**	**179,527**	**89,226**	**64,169**	**56,985**	**1,517,573**

(*) It considers loan balances before risk provisions (see note 8 a), and excludes balances corresponding to overdue loans (MCh$ 12,002) and commissions (MCh$ 1,771).

NOTE 35 – MATURITY OF ASSETS AND LIABILITIES, continued

b) Maturity of Financial Liabilities:

The main financial liabilities are shown as follows and they are grouped according to their remaining terms, including accrued interest until December 31, 2018 and 2017:

As of December 31, 2018

Liabilities	Demand MCh$	Up to 29 days MCh$	Between 30 and 89 days MCh$	Between 90 and 180 days MCh$	Between 181 and 360 days MCh$	More than 1 year and up to 3 years MCh$	More than 3 years and up to 5 years MCh$	More than 5 years and up to 10 years MCh$	More than 10 years MCh$	Demand MCh$	Up to 29 days MCh$	Total MCh$
Deposits and other demand obligations (*)	5,018	-	-	-	-	-	-	-	-	-	-	5,018
Deposits and other term borrowings (**)	-	211,430	73,780	7,141	2,424	159	-	-	-	-	-	294,934
Contracts of financial derivatives	-	93	103	374	2,137	1,102	-	-	-	-	-	3,809
Obligations with banks	-	617	201	2,133	196	6,849	17	5	-	-	-	10,018
Debt instruments issued	-	2,233	1,799	6,599	8,572	101,394	51,621	98,639	59,770	41,454	8,027	380,108
Total liabilities	**5,018**	**214,373**	**75,883**	**16,247**	**13,329**	**109,504**	**51,638**	**98,644**	**59,770**	**41,454**	**8,027**	**693,887**

(*) Does not consider the demand credit balances (MCh$ 16,564).
(**) Does not consider the savings account balances (MCh$ 371,193).

As of December 31, 2017

Liabilities	Demand MCh$	Up to 29 days MCh$	Between 30 and 89 days MCh$	Between 90 and 180 days MCh$	Between 181 and 360 days MCh$	More than 1 year and up to 3 years MCh$	More than 3 years and up to 5 years MCh$	More than 5 years and up to 10 years MCh$	More than 10 years MCh$	Demand MCh$	Up to 29 days MCh$	Total MCh$
Deposits and other demand obligations (*)	2,308	-	-	-	-	-	-	-	-	-	-	2,308
Deposits and other term borrowings (**)	-	171,950	97,072	7,725	1,682	7	-	-	-	-	-	278,436
Contracts of financial derivatives	-	570	88	394	951	3,069	-	-	-	-	-	5,072
Obligations with banks	-	555	240	1,847	85	7,025	20	12	-	-	-	9,784
Debt instruments issued	-	3,090	-	5,267	4,763	19,490	97,414	67,750	64,479	47,980	18,225	328,458
Total liabilities	**2,308**	**176,165**	**97,400**	**15,233**	**7,481**	**29,591**	**97,434**	**67,762**	**64,479**	**47,980**	**18,225**	**624,058**

(*) Does not consider the demand credit balances (MCh$ 17,491).
(**) Does not consider the savings account balances (MCh$ 330,455).

NOTE 36 – SUBSEQUENT EVENTS

In the period between January 1, 2019 and the issuance date of these Financial Statements, no other subsequent events have occurred that could significantly affect the presentation thereof.

ERIC URRUTIA MARTINEZ Accountant Manager	**RODRIGO SILVA IÑIGUEZ** General Manager